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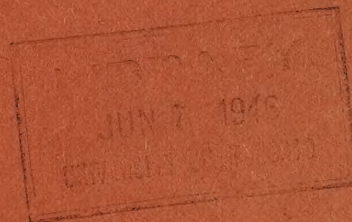
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Nova Scotia

PROVINCE OF NOVA SCOTIA

A SUBMISSION ON DOMINION-PROVINCIAL RELATIONS AND THE FISCAL DISABILITIES OF NOVA SCOTIA WITHIN THE CANADIAN FEDERATION

ROYAL COMMISSION
ECONOMIC ENQUIRY



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Nova Scotia
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FISCAL DISABILITIES OF NOVA SCOTIA

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INTRODUCTORY STATEMENT

OF

HON. ANGUS L. MACDONALD

PREMIER OF NOVA SCOTIA

By the inauguration of the present economic inquiry the Government of Nova Scotia is implementing an explicit undertaking given to the people of this province. That undertaking was not founded upon any desire of the present administration to avoid full responsibility for the performance of the normal obligations of government. We conceive it to be the first duty of government to secure the conditions within which the inhabitants of Nova Scotia may realize that healthy development of economic and social life to which their natural resources, enterprise, and high intellectual attainments justly entitle them. Succeeding administrations in this province have recognized this obligation. Despite the accumulated results of their efforts, we are compelled to acknowledge that for reasons yet to be determined the economic development of Nova Scotia has failed to keep pace with that of other provinces of the Dominion of Canada. The resources of provincial legislation are not exhausted, but the growing complexity of industrial and commercial organization has rendered it increasingly more difficult to formulate policies with any clear appreciation of their ultimate effects. The depressed state of agriculture, fisheries, mining, and manufacturing in this portion of the Dominion, has brought home to us the necessity of an exhaustive study of the various factors affecting the economic welfare of our people. It is hoped that an inventory of our resources and a study of the constitutional and economic framework within which we operate may suggest appropriate remedies for the disappointments and reverses which have marked our history as a province since we became a part of the Dominion of Canada in 1867.

The scope of the present inquiry into economic conditions in Nova Scotia is without limit or restriction. We desire that the terms of reference issued to the Commission shall be interpreted in the broadest possible spirit. So far as the intention of the Government is concerned, there are no restrictions upon the freedom of the Commission to inquire into every aspect of the economic life of this province. Of necessity, the investigation will deal, *inter alia*, with subjects which at present fall within the constitutional competence of the Dominion. The inter-relations of Dominion and provincial functions are so multifarious and complex as to make it impossible to consider the economic life of a province independently of its connection with the economy of the Dominion. In appearing to invade the proper sphere of the Dominion, the Government of Nova Scotia desires to make it clear beyond question that it has no motive other than the promotion of the proper objectives of an exhaustive economic inquiry. It is important to observe that the entire economic life of Nova Scotia was altered by its entrance into the Canadian Federation. An investigation of its economic development within the structure of the Canadian federal system must form a very important part of the

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task of the present Commission. For some sixty-five years the economy of this province has been, so to speak, under the joint stewardship of the Dominion Parliament and the Provincial Legislature. It would seem to be eminently proper to inquire into the effects of that stewardship, whether conducted by one or the other political authority. It is conceivable that the constitutional framework established under the terms of the British North America Act, 1867, has operated unfairly to this portion of the Dominion. It is also conceivable that such a framework, while equitable and efficient sixty-five years ago, is no longer suited to the needs of today, and imposes disproportionate burdens upon the Province of Nova Scotia. These are questions which deserve study and consideration.

The Government of Nova Scotia recognizes clearly that on various occasions the Dominion Government and Parliament have realized the peculiar difficulties of this section of the Dominion, and have sought to discover the means whereby these might be removed. We desire to record our appreciation of every effort made in this direction. In a proper philosophy of federalism the ills of one member of the federal family are the concern and responsibility of the entire household. The appointment of this Commission is in no sense an indication that the Province of Nova Scotia is lacking in appreciation of what has been attempted by the Dominion in previous years to solve our economic problems. It so happens, however, that in every previous economic inquiry, whether instituted by the Dominion or by the province, certain factors in our economic situation have failed to receive consideration. The most recent inquiry was that conducted by the Royal Commission on Maritime Claims, in 1926. While designed originally to be exhaustive in its scope, this Commission was, according to a statement made in the House of Assembly of Nova Scotia in April, 1929, by the then Premier of the province, restricted in fact in its examination of the effects of the trade and tariff policy of the Dominion on the economic interests of the Maritime Provinces. In the opinion of the Government of Nova Scotia that omission must now be rectified. It is impossible to conceive of any thorough inquiry into the economic conditions of this or any other community without a careful study of the trade and tariff policies which over a long period of years, have determined the selection and growth of its industries, and have regulated the development of its commerce. If one cause, more than another, has contributed to disaffection in the Province of Nova Scotia, it is the belief that the trade and tariff policies of the Dominion have operated unfairly upon this section of Canada. Whatever the result of this investigation may be, an important public service will have been rendered if light can be thrown upon this aspect of our situation, which has caused bitter controversy and misunderstanding in the past, and has prevented Nova Scotians from adopting a common point of view in relation to measures of economic recovery.

A distinction must necessarily be drawn between the scope of the investigation to be conducted by this Commission and the subject matter of the brief which will be presented to the Commission on behalf of the Government of Nova Scotia. The scope of the investigation to be conducted by the Commission is indicated by the terms of reference issued to the Commission. The brief to be submitted on behalf of the Government of Nova Scotia has two definite objects in view:

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- (1) To give the historical background of the economic problems of Nova Scotia;
- (2) To deal with such aspects of the economic problems of Nova Scotia as fall within the general field of Dominion-Provincial relations.

Upon general economic conditions and the problems of particular industries in the province the Commission will make its own investigations and will receive evidence from various public bodies, trade associations, corporations, and private individuals. In addition to such evidence, however, it is necessary to consider the effect upon the economy of Nova Scotia of constitutional arrangements under the British North America Act, and legislation of the Dominion Parliament upon such subjects as trade, taxation, transportation, fisheries, etc. The responsibility for this portion of the evidence and argument devolves fairly upon the Government of Nova Scotia. In the preparation of the brief to be submitted on behalf of the Nova Scotia Government, attention has been focussed upon constitutional relations, trade and tariff policies, transportation, taxation, subsidies, and special subventions in their incidence respectively upon economic conditions in this province.

Almost a century ago Thomas Haliburton, the first historian of Nova Scotia, applied these memorable words to the resources and prospects of his native province: ".....almost an island indented everywhere with harbours, surrounded with fisheries; the key of the St. Lawrence, the Bay of Fundy, and the West Indies; prime land above, one vast mineral bed beneath, and a climate over all temperate, pleasant and healthy..... It will have the greatest trade, the greatest population, the most manufactures and the most wealth of any state this side of the water." It is a sombre fact that the progress of Nova Scotia has fallen far short of this glowing prophecy. The evidence of its failure to develop in company with the large provinces on the St. Lawrence, with which it was united at Confederation, will be submitted for the consideration of the Commission. That much of this evidence is of common knowledge is attested by a significant extract from the recent Report of the Royal Commission on Newfoundland, 1933, at page 189-190:

"The people of Newfoundland would much prefer to be masters in their own home, however poor, than to play the part of Cinderella in the Canadian mansion.....Witnesses who expressed these apprehensions frequently sought to illustrate their argument by reference to conditions in the Maritime Provinces of Canada. They pointed out that the markets of Newfoundland, like those of the Maritime Provinces, lie outside Canada; indeed, Canada only imported \$1,000,000 worth of goods from Newfoundland in 1932, whereas she exported to Newfoundland goods to the value of \$8,000,000, or half the total imports of the Island. On the other hand, it was claimed, the imposition of a high protective tariff compels the Maritime Provinces to purchase their requirements of manufactured articles from Central Canada. It was suggested, that, in the same way, Newfoundland, while finding in Canada no outlet for the

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products of her fisheries or her forests, would be compelled to sacrifice her existing freedom to buy in the cheapest market and to confine her import trade increasingly to Canadian channels. It was alleged that, in the Maritime Provinces, local industries had to a large extent been ousted by the growing activities of a centralized industrial machine, and the deduction was drawn that the same effects would manifest themselves in Newfoundland. The Island, it was argued, would in fact be involved with the Maritime Provinces in a continual struggle to prevent the cost of living being raised for the benefits of the manufacturer in Central Canada to heights which would cripple the export trade on which she is dependent for her livelihood."

Nova Scotia cannot accept with complacency the persistent enervation of its economic life. There are some who say that as a people we have not risen to the opportunities that lie at our door. It is possible that there has been a failure of governmental initiative and a lack, as well, of private and co-operative enterprise among the inhabitants of this province. It is also possible that factors beyond our constitutional control have prevented us from entering into our heritage, and that only by a revision of the governmental and economic structure of the federal system will it be possible for this province to realize in any considerable measure the promise of its resources and maritime position. It is for this Commission to inquire into the causes of our economic difficulties, wherever they may be found. The Government of Nova Scotia is resolved that no stone shall be left unturned in an effort to resuscitate the industries of the province and restore it to a position which will prevent it from being held up as a warning and example of the paralyzing effect of Confederation upon the interests of this maritime community.

Sometimes, in a remote section of country, the wayfaring traveller comes suddenly upon the remains of a town or village which once knew prosperity but for a variety of reasons has fallen behind in the march of progress. Its fate is written on its deserted streets, its unpainted houses, its abandoned farms and factories. It has accepted its sentence and has sunk below the margin, so to speak, of the current standards of economic advancement. It is to avoid such a fate as this that Nova Scotia seeks redress for its disabilities. And it bases its claims on the principle that a federation defeats its primary purpose if, through its constitutional arrangements or by policies instituted by the national government, it accomplishes the debilitation of one or more of the political communities of which it is comprised.

A Submission on Dominion-Provincial Relations and the Fiscal Disabilities of Nova Scotia within the Canadian Federation

PRESENTED BY

NORMAN McL. ROGERS

ON BEHALF OF THE NOVA SCOTIA GOVERNMENT

INTRODUCTION TO THE HISTORICAL SURVEY OF THE FEDERATION MOVEMENT IN NOVA SCOTIA

The brief which I have the honour to submit to this Commission on behalf of the Government of Nova Scotia has two objects in view. The first of these objects is the presentation of an historical introduction to the economic and constitutional problems which are to be the subjects of special investigation under the terms of reference. It is desirable to point out that this historical section of the brief is intended to serve a larger purpose than the mere provision of a background for the study of economic and constitutional questions. Some of the problems which will be submitted for your consideration do not belong to this day and generation alone but are rooted deeply in the subsoil of history. Nova Scotia was a distinct political community under the British Crown for more than a century and a half before it became one of the original provinces of the Dominion of Canada. For more than a century before Confederation the Legislature of Nova Scotia held its sessions from year to year in the city of Halifax. Inevitably the accumulated experiences and traditions of this long period of separate colonial existence created a distinct consciousness and loyalty among the inhabitants of the province. That loyalty has been supplemented but never superseded by the larger sentiment of Canadian nationality which has developed during the last sixty-five years within the structure of the Canadian Federation.

A review of the history of the negotiations which preceded Confederation is indispensable to an understanding of the moral and equitable basis of the claims of Nova Scotia against the Dominion for the removal of its disabilities under the federal constitution. It will be necessary to show that Nova Scotia entered the Dominion of Canada under circumstances which left an unfortunate legacy of distrust and recrimination. This distrust of federation was founded upon the belief that the terms of union as set out in the Quebec and London Resolutions and subsequently in the British North America Act were prejudicial to the interests of this province. The historical evidence will indicate that the majority of the inhabitants of the province were opposed to union under the terms proposed. Nova Scotia accepted its position within the federation with reluctance and grave misgivings. It

bowed to considerations of imperial policy and the authority of an imperial statute. It might be said that the union was one of parental convenience rather than a natural and voluntary union born of mutual interest and attachment. This original defect has not been forgotten. Perhaps it has been exaggerated with the passage of time. Certainly it has not contributed to the development of that confidence and harmony which are desirable in the operation of a federal system of government. The removal of this hereditary distrust is equally the concern of the Dominion and of Nova Scotia. An old chapter of distrust must be replaced by a new chapter of confidence. The past can be forgotten only if the present and future interest of Nova Scotia can be reconciled on equitable terms with the constitutional framework and basic policies of the Dominion.

It is important to observe that Nova Scotia did not cease to be a distinct community when it became a province of the Dominion of Canada. It retained its individuality as a member of an association of provinces united for certain designated purposes under the provisions of a federal constitution. A federation is not an amalgamation which results in the creation of a new entity through a combination of elements which lose their identity in the process. Rather is it to be likened to a limited partnership wherein the individual members preserve their separate character even while for certain purposes they conduct their business in common as a single firm. This persistence of the component states or provinces as distinct entities within the federal structure has been described in figurative language by Lord Bryce in his celebrated work "The American Commonwealth."

"The central or national government and the State governments may be compared to a large building and a set of smaller buildings standing on the same ground, yet distinct from each other. It is a combination sometimes seen where a great church has been erected over more ancient homes of worship. First the soil is covered by a number of small shrines and chapels, built at different times and in different styles of architecture, each complete in itself. Then over them and including them all in its spacious fabric there is reared a new pile with its own loftier roof, its own walls, which may perhaps rest on and incorporate the walls of the older shrines, its own internal plan. The identity of the earlier buildings has however not been obliterated; and if the later and larger structure were to disappear, a little repair would enable them to keep out wind and weather, and be again what they once were, distinct and separate entities." (1).

This peculiar characteristic of federalism has to be emphasized in the study of problems arising out of the relations of federal government. It explains the tenacity of local sentiment in the older provinces of the Dominion of Canada. It suggests also the important truth that a federation exists not to destroy but to maintain the distinct identity of its component communities.

(1) Bryce, *The American Commonwealth*, Vol. 1, p. 14

CHAPTER 1

NOVA SCOTIA AND THE MOVEMENT FOR A FEDERATION OF THE PROVINCES OF BRITISH NORTH AMERICA

Following the publication of Lord Durham's Report in 1839 the expediency of a union of the colonies of British North America was discussed on several occasions in the Legislature of Nova Scotia. It can scarcely be said, however, that the question passed beyond the limits of academic discussion until 1861 when the House of Assembly adopted without debate the following resolution:—

"Whereas, the subject of a union of the North American Provinces, or of the maritime provinces, from time to time, has been mooted and discussed in all the colonies:

And whereas, while many advantages may be secured by such a union either of all these provinces or a portion of them, many and serious obstacles are presented, which can be only overcome by mutual consultation of the leading men of the colonies, and by free communication with the Imperial Government:

Therefore resolved, That His Excellency the Lieutenant Governor be respectfully requested to put himself in communication with His Grace the Colonial Secretary and His Excellency the Governor General, and the North American Colonies, in order to ascertain the policy of Her Majesty's Government and the opinions of the other colonies, with a view to the enlightened consideration of a question involving the highest interests, and upon which the public mind in all the provinces ought to be set at rest." (1)

On April 15th, 1861, the House of Assembly of the United Provinces of Upper and Lower Canada adopted a resolution in similar terms suggesting that it might be desirable upon so important a subject to ascertain the policy of Her Majesty's Government, and to promote a consultation between the leading men of the colonies. In May, 1862, a copy of the resolution was forwarded to England for the consideration of Her Majesty's Government, accompanied by a despatch from the Earl of Mulgrave, then Lieutenant-Governor of the Province of Nova Scotia, to the Duke of Newcastle, Secretary of State for the Colonies. In a despatch of July 6th, 1862, the Duke of Newcastle stated that the proposal, if made, for either of the suggested measures of union, should emanate in the first instance from the provinces, and should be concurred in by all of them which it would affect. He saw no objection to any consultation on the subject among the leading members of

(1) A detailed narrative of the events and correspondence set out in this section of the brief will be found in Journals, House of Assembly, Nova Scotia, 1868, Appendices 7 & 9.

the governments concerned but expressed the opinion that whatever the result of such consultation might be, the most satisfactory mode of testing the opinion of the people of British North America would probably be by means of a resolution or address proposed in the Legislature of each province by its own government. Beyond this expression of the views of Her Majesty's Government as to the preliminary steps which might be taken towards the decision of the question, the Duke of Newcastle was not prepared to announce any course of policy upon an invitation of only one of the British North American provinces, and containing a resolution so vague and general in its terms.

In September, 1862, delegates from the provinces of Nova Scotia and New Brunswick held a conference at Quebec with members of the Executive Council of the United Provinces of Upper and Lower Canada. As a result of this meeting it was decided that until the proposed Intercolonial Railway was constructed and free trade between the provinces established, it would be premature to give serious consideration to the subject of a political union of the provinces.

Soon after the return of the Nova Scotia delegates from this abortive conference, a general election of members of the House of Assembly for the 23rd general assembly of the province took place in May 1863. It does not appear that the subject of intercolonial union was brought to the attention of the electorate on this occasion. Immediately after the election of 1863 a new provincial government was formed with Dr. Charles Tupper as Premier. This government remained in office until the federation of the provinces of British North America became an accomplished fact.

In 1864, at the first session of the new Legislature, the House of Assembly at the instance of the new administration adopted a resolution providing that delegates should be appointed to confer with delegations from New Brunswick, Newfoundland, and Prince Edward Island for the purpose of discussing the expediency and practicability of a union of these maritime provinces of British North America. Pursuant to the terms of this resolution, delegates were duly appointed by all the provinces and a conference was convened at Charlottetown, Prince Edward Island, on Sept. 1st, 1864.

In the meantime events in the United Provinces of Upper and Lower Canada led to the formation of a coalition government which was committed definitely to a union of the provinces of British North America. Accordingly, when it was learned that delegates from the four maritime provinces were to consider the narrower project of union at Charlottetown, permission was sought by the Government of the United Provinces to send a delegation to confer with the delegations from the other provinces. This deputation was received by the Charlottetown Conference on Sept. 2nd. No official record of this conference has been published. The delegations continued their conversations at Charlottetown for some days and then met by successive adjournments on the 10th of September at Halifax, Nova Scotia and on the 16th of September at St. John, New Brunswick.

On the 23rd of September, 1864, in accordance with an approved minute of that date of the Executive Council of the United Provinces of Upper and Lower Canada, His Excellency, Viscount Monck, the Governor, invited the Lieutenant-Governors of Nova Scotia, New Brunswick, Prince Edward Island, and the Governor of Newfoundland, to name a deputation to represent their respective provinces at a conference to meet at Quebec on October 10th, 1864, to consider the question of a union of these colonies and the United Provinces of Upper and Lower Canada, and to formulate a scheme for the practical realization of the idea, which might be submitted as embodying the general opinion of the governments of the several provinces to the Secretary of State for the Colonies, with a view to obtaining his sanction for legislation on the subject.

The Quebec Conference was convened on October 10th and continued its sessions until the 29th of that month. It resulted in the adoption of resolutions which were designed to serve as the basis of a proposed federation of the provinces of British North America. The seventieth resolution of the Quebec Conference declared that "the sanction of the Imperial and Local Parliaments shall be sought for the Union of the Provinces, on the principles adopted by the Conference."

It is a matter of record that the discussions at Charlottetown and Quebec on the wider subject of a union of all the provinces of British North America were not authorized by any resolution of the House of Assembly of Nova Scotia. The procedure actually followed is set forth in the Speech from the Throne delivered at the opening of the Nova Scotia Legislature in 1865:

"At the opening of the session, the Officer then administering the Government alluded to the identity of the interests of the British North American Maritime Provinces, and laid before you a proposal for devising means of effecting their Union under one Government. The consideration which you then gave to the question led to a resolution requesting the Officer administering the Government to appoint Delegates, not exceeding five in number, to confer on that subject with Delegates from New Brunswick and Prince Edward Island.

When invited by the Governor-General to send Delegates to Quebec to discuss the wider question, I considered it my duty to obtain previously the consent of Her Majesty's Government. I then appointed on behalf of this Province the same gentlemen who had represented her interests in the first Conference. The second Conference commenced its sittings at Quebec on the 10th of October, and did not conclude them till the 29th of the month."

Despite the undertaking given in the seventieth resolution of the Quebec Conference, the Government of Nova Scotia did not submit the resolutions of the Quebec Conference for the approval of the Legislature. Dr. Tupper, aware of the opposition which had developed in the province towards the Quebec Resolutions, reverted to the more limited project of a union of the Maritime provinces as con-

templated by the resolution passed by the House of Assembly in the previous session. On April 24th, 1865, the Assembly of Nova Scotia adopted a resolution approving the resumption of negotiations for the union of Nova Scotia, New Brunswick and Prince Edward Island. On May 2nd a resolution in substantially the same terms was adopted by the Legislative Council of Nova Scotia. These resolutions were communicated to the Lieutenant-Governors of New Brunswick and Prince Edward Island. The Legislature of New Brunswick agreed to resume the conference on a union of the Maritime Provinces. The Executive Council of Prince Edward Island declined to take part in any conference having in view its union with any of the provinces, the ground of refusal being that the people of that colony were opposed to any such union. As a result of the refusal of the government of Prince Edward Island to resume negotiations no further steps were taken under the resolution of April 24th, 1865.

In the meantime, on March 10, 1865, the Legislature of the United Provinces of Upper and Lower Canada adopted the Resolutions of the Quebec Conference and an Address to the Queen was framed, in the following terms:—

“We, Your Majesty’s most dutiful and loyal subjects, the Commons of Canada, in Parliament assembled, humbly approach Your Majesty for the purpose of praying that Your Majesty may be graciously pleased to cause a measure to be submitted to the Imperial Parliament for the purpose of uniting the Colonies of Canada, Nova Scotia, New Brunswick, Newfoundland and Prince Edward Island, in one Government, with provisions based on the accompanying resolutions which were adopted at a Conference of Delegates from the said Colonies held at the city of Quebec on the 10th of October, 1864. All which we the Commons of Canada humbly pray Your Majesty to take into your gracious and favorable consideration.”

During the session of 1865 of the House of Assembly of Nova Scotia 183 petitions signed by upwards of 15,000 persons were presented to the House praying that it would not assent to any measure for the federation of the British North American provinces without an opportunity being afforded the people of the province to express their opinion on the issue at a general election. In the session of 1866 the House of Assembly received 130 petitions signed by over 8500 persons praying that the House would not assent to any measure for the federation of the provinces until the electors had been given an opportunity to pronounce upon it. In the Speech from the Throne opening the session of 1866 no reference was made to the union of the provinces. On April 10th, however, the Legislative Council and the House of Assembly adopted a resolution in the following terms:—

Whereas in the opinion of this House, it is desirable that a Confederation of the British North American Provinces should take place:—

“Resolved, therefore, that His Excellency the Lieutenant-Governor be authorized to appoint delegates to arrange with the Imperial Government a

scheme of Union which will effectually insure just provision for the rights and interests of this province; each province to have an equal voice in such delegation, Upper and Lower Canada being, for this purpose, considered as separate provinces."

It will be noted that no reference is made in this resolution to the resolutions adopted in 1864 by the Quebec Conference which had been adopted by the Parliament of the United Provinces of Upper and Lower Canada as the basis of the proposed union.

Following the passage of the resolution referred to above, numerous meetings were held in various parts of Nova Scotia at which resolutions were adopted condemning the action of the Legislature in relation to federation and asking that the issue should be submitted to the people at a general election before any final action in the matter should be taken. The provinces of Newfoundland and Prince Edward Island declined to have any part in the conference to be held in London.

Under the terms of the resolution passed by the Legislative Council and House of Assembly in 1866, delegates were appointed to attend the proposed conference in London on behalf of Nova Scotia and delegates were similarly appointed to represent the provinces of Canada and New Brunswick. These several delegations met in London in the closing months of the same year. In the meantime a delegation representing the views of those opposed to federation in Nova Scotia arrived in England and placed their views before the Earl of Carnarvon, Secretary of State for the Colonies. This latter delegation was headed by Hon. Joseph Howe the acknowledged leader of the anti-confederate movement in Nova Scotia.

On December 4th, 1866, resolutions were adopted at a conference in London of the delegations from the provinces of Canada, New Brunswick, and Nova Scotia which with certain alterations made at the instance of the Secretary of State for the Colonies formed the basis of the British North America Bill as introduced in the House of Lords. In March, 1867, a petition to the House of Commons was presented by Admiral Erskine, signed by 31,000 adult males of the province of Nova Scotia, praying that time for the expression of the feelings of the people of Nova Scotia might be allowed before the adoption of any scheme of confederation of that province with any of the other provinces of British North America. Notwithstanding this petition, the bill for union was pressed forward in Parliament and received the royal assent on March 29th, 1867. By a Proclamation of Her Majesty under the terms of the British North America Act it was declared that the union should take effect on and after July 1st, 1867.

THE INTEREST OF THE IMPERIAL GOVERNMENT IN PROMOTING A UNION OF THE PROVINCES OF BRITISH NORTH AMERICA

This recital of the salient facts of the federation movement in Nova Scotia during the period 1860-1867 has been confined in the main to the sequence of events

within this province. It does not reveal the influences beyond the boundaries of Nova Scotia which had a determining effect upon the success of the federation movement and more particularly upon the inclusion of Nova Scotia in the union of the provinces of British North America. Chief among these influences was the pressure exercised by the Imperial Government in support of the cause of union.

It will be recalled that in 1862 the Secretary of State for the Colonies was not prepared to announce any course of policy on behalf of the Imperial Government in relation to a union of some or all of the provinces. In 1864 this policy of benevolent neutrality was reversed. From this time forward the consummation of a union of the provinces of British North America became one of the chief preoccupations of the Colonial Office. On December 3rd the full support of the Colonial Office was given to the general purpose and purport of the resolutions which had emerged from the Quebec Conference. The despatches from Edward Cardwell who had succeeded the Duke of Newcastle as Colonial Secretary afford abundant confirmation of the reversal of imperial policy. The policy of active promotion of federation by the Colonial Office was carried forward by means of influence exercised on the Lieutenant-Governors of New Brunswick and Nova Scotia either directly or through the active co-operation of Viscount Monck, Governor-General of Canada. Through the Lieutenant-Governors of New Brunswick and Nova Scotia the weight of imperial influence was brought to bear upon members of the Governments and Legislatures of the dissentient provinces. This influence was a factor of profound importance in the negotiations which finally brought New Brunswick and Nova Scotia into the union. (1).

Unquestionably it was the primary consideration of defence which accounted for the reversal of British policy on the subject of intercolonial union. As the Civil War progressed in the United States and tension increased between Great Britain and that country it became necessary to contemplate the possibility of hostilities which might involve the invasion of the British North American provinces, and the annexation of the western territory which was as yet unorganized and defenceless. This consideration of colonial defence was given added importance by the Fenian Raids and the many alarms of a Fenian invasion which marked the period between the Quebec Conference and the passage of the British North America Act. It is noteworthy that Cardwell, in expressing his approval of the Quebec Conference, declared that "it was eminently calculated to render easier and more effectual the provisions for the defence of the several Provinces." (2)

- (1) "The Canadian Federation"—R. G. Trotter, p. 130.
The Canadian Historical Review, Vol. IX, No. 1, "New Brunswick's Entrance into Confederation," George E. Wilson.
The Canadian Historical Review, Vol. XIII, No. 1, "British Policy in Canadian Confederation," Chester Martin.
- (2) C. O. 188 Vol. 45, Cardwell to Gordon, April 12, 1865 quoted by Chester Martin, "British Policy in Canadian Confederation", Canadian Historical Review, Vol. XIII, No. 1.

It will serve no useful purpose at this date to give further emphasis to this phase of the negotiations for federation. The evidence is abundant and conclusive that the Imperial Government used all the influence at its command to bring about the union. The motives behind this policy need not be brought into question. The fact remains that the Imperial Government played a decisive role in the manoeuvres which brought Nova Scotia into the Canadian federation against the wishes and sentiment of the great majority of its inhabitants and without an opportunity being afforded them to render a decision in accordance with their own conception of their obligations and interest as a self-governing community under the British Crown.

CONCLUSIONS DRAWN FROM THE NEGOTIATIONS FOR FEDERATION

The view has been advanced in some quarters that the British North America Act, as grounded upon the resolutions of the London Conference of 1866, is a treaty or contract alterable only by the unanimous consent of the provinces and the Dominion through their legislatures. Nova Scotia cannot subscribe to this interpretation of the British North America Act. If this statute did purport to rest upon or embody the terms of an agreement with the other provinces, such an agreement might be impugned by Nova Scotia on various grounds upon which contracts are ordinarily nullified in a court of law. There was undue influence, if not duress, applied by the Imperial Government at a critical stage of the negotiations. There was no prior authorization of agents to conclude a binding agreement with representatives of the other provinces. The only resolution through which the Nova Scotia Legislature appears to have given a constructive assent to a union with the other provinces, was expressed in the following terms:

"That his Excellency the Lieutenant-Governor be authorized to appoint delegates to arrange with the Imperial Government a scheme of union which will effectually ensure just provisions for the rights and interests of this Province; each Province to have an equal voice on such delegations. Upper and Lower Canada being for this purpose considered a separate Province."

There was no subsequent ratification of the express terms of the new constitution by the Nova Scotia Legislature.

The procedure by which the Canadian Federation was brought into existence is without parallel in the history of federal government. In the United States and in the Commonwealth of Australia the federal constitution in each case was submitted either to the legislature or electorate of the constituent states or provinces for approval, thus affording to the new constitution a solid foundation of popular consent. In the union of the provinces of British North America no opportunity was given for approval of the actual terms of the constitution, either to the legislatures or to the peoples of the federated provinces. On the contrary, the pro-

ceedings of the London Conference of 1866, and the earlier drafts of the British North America Bill were purposely withheld from public knowledge. The motive behind this deliberate policy of secrecy is frankly revealed in a letter addressed by Sir John Macdonald to the Earl of Carnarvon, Secretary of State for the Colonies, dated December 25, 1866. This letter was expressed in the following terms:

"Dear Lord Carnarvon,

I am happy to inform you that the delegates who have sat steadily from the 4th to the 24th instant, have arrived at a satisfactory conclusion, and have adopted by the unanimous vote of the provinces, a series of resolutions which I shall transmit to-morrow morning to your Lordship at the Colonial Office.

The delegates desire me to convey to you their opinion that it is expedient to avoid any publicity being given to the resolutions until the bill is finally settled and ready to be laid before parliament. They think that their early publication would answer no good purpose, and might tend to premature discussion on imperfect information of the subject, both in this country and America.

Believe me, dear Lord Carnarvon,

Very sincerely yours,

JOHN A MacDONALD. (1)

The Rt. Honourable,

The Earl of Carnarvon,

Secretary of State for the Colonies."

It is a forced interpretation of historical facts to suggest that Nova Scotia was a voluntary party to any federal agreement with the other provinces. The task of drawing up a new constitution for the Provinces of British North America attached to the function of the legislature, and did not lie properly within the field of executive action. The Crown, as advised by its Ministers in the several provinces, did not possess the power of altering the constitution, and could not authorize or instruct delegates to conclude a binding agreement which contemplated such radical changes in the Colonial Constitution as were proposed by the Quebec Resolutions or the London Resolutions. In so far as there was a power to alter a colonial constitution that power was legislative in character. It was doubtless with this consideration in mind that the Quebec Conference of 1864 adopted a resolution in the following terms:

"The Sanction of the Imperial and Local Parliaments shall be sought for the Union of the Provinces, on the principle adopted by the Conference."

And in the same sense the Rt. Hon. Mr. Cardwell, Secretary of State for the Colonies, wrote to Lord Monck, Governor of Canada, on December 3, 1864, in the following terms:

(1) Pope's Confederation Documents, p. 306.

"Her Majesty's Government anticipates no serious difficulty in this part of the case, since the Resolutions will generally be found sufficiently explicit to guide those who will be entrusted with the preparation of the Bill. It appears to them, therefore, that you should now take immediate measures in concert with the Lieutenant-Governors of the several Provinces for submitting to their respective Legislatures this project of the Conference and if, as I hope, you are able to report that those Legislatures sanction and adopt the scheme. Her Majesty's Government will render you all the assistance in their power for carrying it into effect."

As already stated, the Quebec Resolutions did not receive the sanction and approval of the Legislatures of New Brunswick and Nova Scotia. The Quebec Resolutions, moreover, were altered and superseded by the Resolutions of the London Conference of 1866. It would seem that if constitutional propriety required the endorsement by the Legislatures of the Provinces of the Resolutions of the Quebec Conference, the same reasoning must apply with equal force to the Resolutions of the London Conference. The fact remains, however, that the London Resolutions were never submitted to the Legislatures of the Provinces for approval, and in this transaction the members of the London Conference, under the direction of Sir John Macdonald, acted apparently with the support of the Secretary of State for the Colonies. If we seek a reason for this change of policy, this departure from acknowledged constitutional practice, we are compelled to conclude that the resolutions were not submitted to the Legislatures for approval because the Imperial Government, which was now firmly committed to the union of the Province, feared that such resolutions might fail of adoption if presented to the Legislature of Nova Scotia. As a result of this omission, it is correct to say that the only prior consent given by Nova Scotia to the precise terms of the scheme of union set out in the British North America Act, 1867, was the consent given by the Ministers of the Crown in Nova Scotia. In other words, so far as Nova Scotia was a party to the London Resolutions and the British North America Act, this change in its status and constitution, contrary to constitutional practice and the implications of responsible government, was accomplished by an executive act. The federation of the Provinces of British North America was achieved in legal form by a statute of the Imperial Parliament. It was achieved, in fact, by the persistent solicitations and pressure of the Imperial Government, acting in conjunction with the delegates from the United Provinces of Upper and Lower Canada.

Having this sequence of events in mind, it is important nevertheless to observe that in sending delegates to the London Conference of 1866, the Nova Scotia Legislature placed its trust in the arbitrament of the Imperial Government, properly advised by delegates from all the Provinces. (1)

As Sir Charles Tupper declared: "The Imperial Government and Parliament will have an opportunity of largely improving that scheme (The Quebec Resolutions)

(1) Debates of the Legislative Assembly of Nova Scotia, 1866, p. 189.

and giving us an amount of consideration that otherwise we might not obtain" (1) It is not going too far to say that the Imperial Government, having determined to achieve a federation of the Provinces of British North America, assumed the responsibility of undertaking to Nova Scotia that the terms of union would be just and equitable. This conclusion is drawn not only from the circumstances surrounding the final negotiations at the London Conference, but also from the official correspondence which ensued between the Government of Nova Scotia and Secretaries of State for the Colonies in Great Britain.

THE REPEAL MOVEMENT IN NOVA SCOTIA

The British North America Act received the Royal Assent on March 29, 1867. It was brought into operation by Royal Proclamation on July 1, 1867. On the same date, the first Dominion Government was formed with Sir John A. Macdonald as Prime Minister. On September 18 of this year general elections were held, both for the Dominion Parliament, and for the Legislative Assembly in Nova Scotia. In this province the outstanding issue was Confederation, as set out in the terms of the British North America Act. The result was an overwhelming defeat for the supporters of Union. In the elections for the Assembly in Nova Scotia, only two supporters of Confederation were returned out of thirty-eight representatives. In the election of Nova Scotia members of the first Dominion Parliament, only one supporter of Confederation was elected among the nineteen representatives.

In Nova Scotia the new House of Assembly addressed itself without delay to the task of securing the repeal of the British North America Act in its application to this Province. Various despatches and documents bearing upon the Repeal Movement of 1868, are set out in Appendices 9 and 10, of the Journal of the House of Assembly of Nova Scotia, 1868, and are submitted herewith. No useful purpose will be served by referring to them in detail at this time. It is important, however, to note precisely the features of the British North America Act, which aroused particular opposition in the Province of Nova Scotia at this date. The chief objections to the new federal constitution are given in the excerpts from despatches and public documents, which follow:

"But let us see how Confederation has operated upon Nova Scotia already. It has been in existence one year and we have already had our tariff raised, and our indirect taxes largely increased. We have had all our revenues of Customs taken from us and we have been placed on a trifling allowance which is totally insufficient for our support. The refusal to renew the reciprocity treaty and the consequent closing up of our coal trade, and the general stagnation of commerce, are probably chargeable on confederation, and its natural effect of excluding the manufactures of the United States from the Maritime Provinces by means of a high Canadian tariff."

(1) Ibid., p. 22

"The Canadas and the Maritime Colonies, having separate interests, require different systems of trade, and therefore the regulation of trade and commerce being, by the Union Act, exclusively vested in Canada, our interest will always be liable to be sacrificed."

"It [The British North America Act] takes from Nova Scotia the regulation of her trade and of her banking system and savings banks, of her sea-coast and inland fisheries, of her militia, of her courts and criminal law."

"It transfers the customs laws of Nova Scotia, always amply sufficient for general local services, and rapidly increasing under a low tariff, to Canada, for a sum which is now no equivalent, and which being limited in amount will establish a perpetual drain upon our resources as those revenues expand."

"It confers upon the Parliament of Canada the right to burden our trade with the rest of the Empire and with the world at large for her own advantages, to protect her manufactures and bread-stuffs, and to burden our industry with "any modes or systems of taxation." (Petition from Members in both Houses. App. 10; p. 12).

"It [Nova Scotia] sends to sea 440,000 tons of shipping, built and owned within the Province, bearing the flag of England, and manned by more than 20,000 sailors. The inhabitants of the Province have developed the pursuits of ship-building, navigation, commerce and fishing, which, from their maritime position, they are enabled to follow with advantage. In addition to their maritime resources the Province is rich in agricultural wealth and possesses, also, enormous mining property, including coal fields and iron mines of great extent, and valuable gold mines."

"The confederation of the Province with the Canadian Provinces of Ontario and Quebec is not only repugnant to the feelings of the people of Nova Scotia, but is also calculated to be disastrous to the Province. For many years past the commercial policy of Nova Scotia has been essentially different from that of the Canadian Provinces. The Canadian Provinces, partly from interest arising out of financial embarrassments, and partly as an indirect premium on their own manufactures, imposed high duties on many articles of import. On the other hand, Nova Scotia, being like the United Kingdom, favorably situated for enjoying free commercial intercourse with other countries, has initiated, as far as local circumstances would permit, the free trade policy of the mother country."

"The just apprehension of the people of Nova Scotia of the disastrous consequences to themselves of confederation, have been confirmed by the proceedings of the Parliament of Canada under the new act. This Parliament in its first session has adopted financial measures of a strongly protective character in favor of the Canadian provinces of Ontario and Quebec at the

expense of Nova Scotia and New Brunswick. These measures were carried by the influence of the Canadian members, notwithstanding the opposition in the House of Commons of Canada of seventeen of the nineteen members for Nova Scotia, and twelve of the fifteen members for New Brunswick."

"These financial measures include a new tariff, by which, for the benefit of the Canadians, a general increase from ten to fifteen per cent was made in the ad valorem duties on manufactures imported from the United Kingdom as compared with the duties previously levied on those goods in Nova Scotia."

"By the new tariff, also, duties were imposed on imports of corn and cornmeal for the protection of the provinces of Ontario and Quebec. Before and until the adoption of this tariff, Nova Scotia and New Brunswick imported flour, corn and cornmeal from the United States of America in very large quantities." (App. 10; p. 44, 45).

A delegation was sent to London from Nova Scotia to seek a repeal of the British North America Act in its application to this province. This delegation was appointed in accordance with the terms of the following resolutions, passed by the Assembly of Nova Scotia on February 25th, 1868:—

"Resolved, that His Excellency the Lieutenant-Governor in Council be authorized to appoint delegates charged with the resolutions passed by this House on the twenty-first day of February, instant, in respect to the constitutional rights and privileges of the people of this Province.

"Resolved, that the delegates, so to be appointed, are to urge upon the attention of the British Government and the Imperial Parliament the strong feelings of this House and of the people of Nova Scotia upon the question of Confederation; that they are to ask for the restoration of the constitution of this country as it existed previously to the passage of the British North America Act; that they are not to accept any alteration of or amendment to such act; and that they are hereby authorized, if necessary, to retain counsel, learned in the law, to plead the claims of Nova Scotia at the bar of the House of Commons, and take all such other and necessary steps for carrying out the resolutions of this House as may be deemed advisable."

The members of the delegation from Nova Scotia having arrived in England, submitted the views of the province in respect to the repeal of the union to the British Government and sought a hearing before the bar of the House of Commons in Great Britain. In the alternative it was sought to obtain an independent inquiry by a Royal Commission into the true state of opinion in Nova Scotia respecting Confederation, the report of this Commission to serve as a basis for subsequent representations in favour of repeal. A resolution with this object in view was moved in the House of Commons by John Bright, M. P., but was not carried. The British Government was determined that the union of the provinces of British

North America should not be jeopardized by the secession of Nova Scotia. The delegation from Nova Scotia failed to obtain either a hearing before the Bar of the House or a Royal Commission as proposed in the resolution moved by Mr. Bright.

Although the Repeal Movement of 1868 failed in its avowed object, it is important to observe that the British Government in refusing to entertain the proposals of the Nova Scotia delegation gave certain assurances respecting modifications in the British North America Act in favour of Nova Scotia. The nature of these assurances can best be conveyed by setting out the terms of the several despatches in which reference is made to these proposed modifications. The following despatch, bearing the date of June 4, 1868, was addressed by the Duke of Buckingham and Chandos, Secretary of State for the Colonies, to Lord Monck, Governor-General of Canada:

“My Lord:

I duly received the address to the Queen from the House of Assembly of the Province of Nova Scotia, contained in your Lordship's despatch, No. 42, of the 14th of March, representing that they object to the measure of Confederation by which the province has been joined with Canada and New Brunswick, and praying that, so far as regards Nova Scotia, the Act of the Imperial Parliament effecting union may be repealed.

I have also had an interview with Mr. Joseph Howe, Mr. William Annand, Mr. Troop, and Mr. Smith, being the deputation who were appointed by the Executive Council of Nova Scotia to visit this country in order to explain and support the representations offered against Confederation.

I have the honor to inform you that I have laid the address of the House of Assembly before the Queen, and that Her Majesty received with much satisfaction the assurances that it contained of their unabated loyalty and attachment to her person and government. The Queen regrets to learn that any dissatisfaction should have been caused amongst her faithful subjects in Nova Scotia by the measure of Confederation adopted by the Imperial Parliament and assented to by the Crown; but Her Majesty trusts that the objections which have been expressed may admit of removal.

I can assure your Lordship that the subject of the address has engaged the most earnest attention of Her Majesty's advisers. They are well aware that the inhabitants of Nova Scotia have always been distinguished by a sentiment, honourable alike to the colony and to this country, of attachment to the British Crown and Government, and they are anxious to promote the contentment of a people so justly entitled to consideration. But the magnitude of the interests at stake renders it a duty not to shrink from examining fully the grounds of the complaints which have been adduced; and, if it should prove that some of them are mistaken, and others removable, I should indulge the hope that a different view of the subject may be ultimately taken.

The leading complaints appear to be reducible to two; first, that Confederation was accomplished without properly consulting the province; and, secondly, that the result may be prejudicial to some of its special interests.

Now, as far as regards the second of these topics, Her Majesty's Government feel that they need only draw the attention of yourself and your Government to the points raised in the address relative to taxation, the regulation of trade, and the fisheries, as they are confident that it will be equally the wish of your Government and of the Parliament of the Dominion to relax or modify any arrangements on these subjects which may prejudice the peculiar interests of Nova Scotia, and of the Maritime portion of the Dominion. No doubt can be entertained that the Parliament of the Dominion will be fully alive to both the justice and the expediency of consulting all the various interests of the territory over which its jurisdiction extends.

With respect to the evidences of the opinion of the province, I observe that Nova Scotia was on several occasions the first of the provinces to move the project of Confederation.

In 1854 it was proposed by the Legislature of Nova Scotia. In 1857 it formed one of the topics entrusted to some delegates from the Government of Nova Scotia to Her Majesty's Government. The plan was moved in Canada in 1858, but being subsequently dropped, was revived in Nova Scotia in 1861, and made the subject of a circular address in 1862 from Nova Scotia to all the other provinces. In 1864 delegates were appointed by the Government of Nova Scotia to attend the conference at Quebec, that framed the scheme on which the Act of Confederation now in force was based. As soon as that scheme was unanimously adopted by the delegates from the several provinces, the Secretary of State remarked that the project should be submitted to the several legislatures. Prince Edward Island declined, both in 1865 and 1866, and Newfoundland never adopted the proposal. But in 1866 both houses of the Legislature of Nova Scotia and both houses of the Legislature of New Brunswick passed resolutions (of which copies were annexed to this despatch), requesting the Governor to name delegates to arrange with the Imperial Government a scheme of union, whilst Canada had previously passed similar resolutions, of which also copies are annexed.

Such were the proceedings which attested to the Government of this country, on the highest authority, the wish of the legislatures in those provinces.

I am advised that the Act of Confederation was duly and lawfully passed by the Imperial Parliament.

It is objected that no previous appeal was made to the people in the Provinces; but this had not been thought necessary in parallel cases. There was none, for instance, in uniting the two Canadas in 1839, although much differ-

ence of opinion existed, and in Upper Canada much close conflict in the debates. An appeal to the country was proposed in the Assembly of Upper Canada at that time, and rejected by a large majority. The same proposal was made in the late debates on Confederation in Canada, New Brunswick, and Nova Scotia, but in all of them was thrown out by a large majority.

Again, it has been objected that the union was not made subject to legislative ratification by the several legislatures. But no such course has been followed in the numerous modifications of colonial constitutions, and in the separations and unions of colonies which have been affected by Imperial legislation. It does so happen, however, that after the present measure had been introduced into the Imperial Parliament, and its terms made public, it was cordially approved of by both houses of the legislature of Nova Scotia in their addresses to the Governor at the opening of the session in 1867. And the same took place in New Brunswick, where the session opened after the Imperial measure had become law. Copies of the passages to which I refer are annexed.

The provincial governments and legislatures, in the present case, after the terms had been substantially settled, with the knowledge and approval of all, looked to the Imperial Parliament to accomplish their union. This has been done exactly in the manner requested. The neighboring province of New Brunswick has entered into the union in reliance on having with it the sister province of Nova Scotia; and vast obligations, political and commercial, have been already contracted on the faith of a measure so long discussed and so solemnly adopted.

- I should do injustice to the character which Nova Scotia has always conspicuously borne of a faithful member of the general British community, if I did not add as a consideration sure to have weight with it, that the measure is believed by Her Majesty's Government to be not merely conducive to the strength and welfare of the province, but also important to the interests of the whole Empire.

I have already said that any practical regard which may be due to the special position and interest of the province will, Her Majesty's Government are confident, be cheerfully given by the parliament of the Dominion; and after the foregoing explanations I trust that the Assembly and the people of Nova Scotia will not be surprised that the Queen's Government feel that they would not be warranted in advising the reversal of a great measure of state, attended by so many extensive consequences already in operation, and adopted with the previous sanction of every one of the legislatures concerned, and with subsequent approval of the legislatures of Nova Scotia and New Brunswick.

I have the honor, etc., etc.,

(Sgd.) BUCKINGHAM & CHANDOS.

Governor,
The Right Honourable,
Viscount Monck, etc., etc., etc."

When this despatch was communicated to the Legislative Assembly of Nova Scotia, the Attorney-General moved, on August 14, 1868, a series of resolutions of which the following may be quoted as throwing light on the transactions which had occurred in London during the visit of the Nova Scotia delegation and also upon the state of feeling in the province on receipt of the communication from the Duke of Buckingham.

“And whereas, John Bright, Esq., member for Birmingham, on the 15th of May last, presented a petition to the House of Commons, signed by sixteen of the nineteen members elected by the people of Nova Scotia to the Parliament of the Dominion, and by thirty-six of the thirty-eight members of the Legislative Assembly of this Province, fully setting forth the grievances inflicted upon the people of Nova Scotia by the act of Confederation, and praying for their removal by the repeal of the said Act; and also a petition signed by the accredited delegates from this Province, viz, the Hon. Joseph Howe, Hon. William Annand, Hon. J. C. Troop, and H. W. Smith, Esq., praying to be heard by Counsel at the Bar of the House of Commons on behalf of the aforesaid petition;

“And whereas, the said John Bright, in his place in the House of Commons on the 16th day of June last, with the approval of the delegates aforesaid, consented to waive the demand for an immediate repeal of the British North America Act, and to ask in lieu thereof that Her Majesty’s Government would institute an inquiry into the grievances of Nova Scotia, which moderate and reasonable request was refused;

“And whereas, Mr. Adderley, Under Secretary of State for the Colonies in the House of Commons, on the 16th of June last, in refusing such inquiry, declared that “he could assure the House that by the employment of other means any apprehensions which might have been entertained by the people of Nova Scotia were being rapidly dissipated at the present moment; that by following the line indicated in the last despatch of the Colonial Secretary (4th June, 1868) and by using all friendly and moral influence, the Government at home would be able, while avoiding all the evils of mischievous interference, to induce the Colonists to arrange their mutual interests. This had been effected to a large extent already.” Upon which assurance the House of Commons, by a vote of 183 to 87, refused to grant such an inquiry;

“Resolved, That this House regards with indignation and alarm the refusal of a majority of the House of Commons, inspired by the leaders of Government, to grant even an inquiry into the grievances of a people second to none in the United Kingdom for public spirit and intelligence and attachment to the throne—a demand which could be safely disregarded if made by the smallest Corporation in the British Isles, and we believe could not have been refused if the population of Nova Scotia were as great as that of the two Provinces of Ontario and Quebec. And this House emphatically records

its deliberate reprobation of the statements of the Under Secretary for the Colonies, that the grievances of Nova Scotia "were being rapidly dissipated" and that their removal "had been effected to a large extent already" as utterly untrue. And that, so far from the discontent having been "dissipated" or even subdued, the feeling of hostility against the Act of Confederation has increased and intensified since the Address from this House was laid at the foot of the throne."

During the ensuing months the agitation for repeal was not relaxed by the Government of Nova Scotia. A change of administration in England laid grounds for a new hope of ultimate success of the movement. Resolutions in reply to the despatch of the Duke of Buckingham had been passed by the Assembly and forwarded to the Secretary of State for the Colonies by the Lieutenant-Governor of Nova Scotia. A reply was awaited to these communications. Meanwhile the Governor-General of Canada was also in communication with the Colonial Secretary. On January 7th, 1869, the Governor-General addressed a letter to the Colonial Secretary containing an explicit suggestion respecting the character of the reply which should be sent to the resolutions of the Nova Scotia Assembly. This suggestion was in the following terms:—

"That an answer from Her Majesty's present Cabinet conveying a decision similar to that of the late Cabinet would, it is stated, on all hands produce a great effect. It would, it is expected, form a firm *locus standi* for the proposed coalition because as a deliberate judgment and agreement of the leaders of the two great parties in the Mother country, it would produce a profound impression in the minds of the people and dispose them to enter, if not with satisfaction, at least with calmness, upon the consideration of their future prospects."

The reply of the Earl of Granville to the resolutions of the Nova Scotia Assembly must have been prepared before the receipt of the suggestion from the Governor-General of Canada, but it expresses faithfully the tenor of his proposals. Dated January 13th, 1869, and addressed to Sir John Young, Governor-General of Canada, it contains a definitive refusal on behalf of the new administration in Great Britain to give any encouragement to the desire of the Nova Scotia Assembly for the repeal of the British North America Act in its application to this province. The terms of this important despatch are as follows:—

"Sir:

I have the honor to acknowledge the receipt of your despatch No. 3 of 12th ultimo, transmitting copies of certain resolutions addressed by the House of Assembly to the Lieutenant-Governor of Nova Scotia, respecting the recent confederation of the North American Provinces, and of a statement on the same subject addressed to the Lieutenant-Governor by his Executive Council.

The statement of the Executive Council was forwarded to the Secretary of State in Lord Monck's despatch No. 169 of 8th September, which was acknowledged by the Duke of Buckingham and Chandos in a despatch No. 235 of 8th December.

The resolutions of the Assembly appear not to have been before His Grace when the despatch was written, but they do not call for any lengthened observation from me.

I greatly regret that a majority of the House of Assembly should entertain and express the sentiments embodied in some of these resolutions.

But I can hold out no expectation that Her Majesty's Government will propose, or that Parliament will entertain, any measure for the repeal of the Act of 1867. That Act was passed at the desire of the three provincial Legislatures, its operation has not hitherto been unsuccessful, and on the faith of it, important transactions are already in progress. Further, I have reason to believe that the Government of the Dominion is disposed liberally to fulfil the expectation expressed in my predecessor's despatch No. 107 of the 10th of June last, that the Government and Parliament of Canada would modify any arrangement respecting taxation or respecting the regulation of trade and fisheries which might prejudice the interests of Nova Scotia and of the maritime portion of the Dominion.

I most earnestly hope, therefore, that even those inhabitants of Nova Scotia who are not convinced of the expediency of the Confederation will see it to be their duty and their interest to abandon an agitation which is only calculated to perpetuate disunion, to arrest the progress of settlement and commerce, and to divert the efforts of the Government and Legislature from those objects of general utility to which they ought to be steadily directed.

"I have, etc.,

GRANVILLE

*Gov. the Right Hon.
Sir John Young, Bart."*

THE BRITISH NORTH AMERICA ACT NOT AN UNALTERABLE COMPACT—NOVA SCOTIA GIVEN THE ASSURANCE OF REVISION

In considering this review of the repeal movement in Nova Scotia in the years immediately following the passage of the British North America Act, it is important to observe that the refusal of the British Government to entertain the proposal for repeal is combined with the assurance that the Government and Parliament of Canada (presumably at the instance of the British Government) would "modify

any arrangement respecting taxation or respecting the regulation of trade and fisheries which might prejudice the interests of Nova Scotia and of the maritime portion of the Dominion." This assurance was given originally in the despatch from the Duke of Buckingham. It was repeated by Mr. Adderley, Under Secretary of State for the Colonies, in his statement in the House of Commons on June 16th, 1868. It was again repeated in the despatch from the Earl of Granville to Sir John Young, dated January 13th, 1869. It is submitted that this assurance is in the nature of a continuing obligation assumed by the Crown through its Ministers in Great Britain; that this obligation has not been discharged or exhausted by any subsequent events; that the Crown is assumed to be one and indivisible throughout the Commonwealth and Empire; that the execution of the obligation is binding equally upon the Crown in the Dominion of Canada; and that the Province of Nova Scotia is entitled to seek and expect redress of its grievances arising under the British North America Act from the King's Privy Council in Canada.

Those who uphold the contract or treaty theory of the British North America Act are limited logically to such remedies as are in the nature of a claim for damages, or a decree for specific performance. They are forced to take the agreement as it is and to insist on the strict observance of its terms. Nova Scotia, having regard to its position in the negotiations at London and thereafter, does not feel that it can be restricted to these remedies. Express obligations laid down in the British North America Act must be kept. They are statutory obligations. But this is merely the irreducible minimum of federal justice. We are entitled to invoke not merely the letter of the federal instrument, but the spirit of federal institutions, which we conceive to be a spirit of compromise and equity, tending constantly towards the preservation of the cultural, social, and economic life of the political entities which comprise the federal union. We contend that the British North America Act is not final or unalterable, but that on the contrary its future revision was clearly implied in the character of the negotiations that preceded its enactment and in the assurances given by the British Government that its terms would be modified in so far as they were prejudicial to Nova Scotia and the maritime portion of the Dominion. A federation is a union of existing political communities for declared objects. Its purpose is defeated if by the application of its terms in altered circumstances or because of policies adopted by the national government some of the political and social entities comprising it are reduced to the position of tributary or client states, and denied the conditions within which they may preserve their economic life from progressive deterioration.

CHAPTER II.

REVISION OF THE FINANCIAL ARRANGEMENTS OF THE B. N. A. ACT, 1867.

The Movements for "Better Terms"

It has been emphasized that in the correspondence and communications between Nova Scotia and the Imperial Government on the subject of repeal of the British North America Act in its application to this province, assurances were given by the Secretary of State for the Colonies that the Government and Parliament of Canada would "modify any arrangement respecting taxation or respecting the regulation of trade and fisheries which might prejudice the interests of Nova Scotia and of the maritime portion of the Dominion." When it was realized by the leaders of the anti-confederate movement in Nova Scotia that the Imperial Government would not consent to repeal, negotiations were initiated between Joseph Howe, on behalf of Nova Scotia, and Sir John Macdonald, on behalf of the Dominion Government, with a view to the removal of certain of the grievances complained of by Nova Scotia. On October 6th, 1868, Sir John Macdonald wrote to Mr. Howe setting forth in a private communication the despatches of the Duke of Buckingham, and expressing the desire of the Canadian Government to enter upon a full discussion of the several points referred to in these despatches. He assured Mr. Howe that the Dominion Government "are prepared, in case the pressure of taxation should be shown to be unequal or unjust to Nova Scotia, to relieve that pressure by every means in their power. They are also ready to discuss any financial or commercial problems which may be raised by the Nova Scotia Government or Mr. Howe, and the representatives of Nova Scotia in the Parliament of Canada." On receipt of this letter, Mr. Howe agreed with the representatives from Nova Scotia in the Dominion Parliament to support the Government, on condition that the commercial relations with the United States were placed on a satisfactory footing, and the financial aspects of Confederation settled satisfactorily and equitably to Nova Scotia.

The Financial Terms of the B. N. A. Act, 1867.

In order that the significance of the better terms accorded to Nova Scotia in 1869 may be understood more clearly, the various clauses of the British North America Act, 1867, embodying the financial terms of union, are set out below:

110. Assets Connected with such Portions of the Public Debt of each Province as are assumed by that Province shall belong to that Province.
111. Canada shall be liable for the Debts and Liabilities of each Province existing at the Union.

112. Ontario and Quebec conjointly shall be liable to Canada for the amount (if any) by which the Debt of the Province of Canada exceeds at the Union Sixty-two million five hundred thousand dollars, and shall be charged with Interest at the rate of Five per Centum per Annum thereon.
113. The Assets enumerated in the Fourth Schedule to this Act belonging at the Union to the Province of Canada shall be the Property of Ontario and Quebec conjointly.
114. Nova Scotia shall be liable to Canada for the Amount (if any) by which its Public Debt exceeds at the Union Eight Million Dollars, and shall be charged with Interest at the Rate of Five per Centum per Annum thereon.
115. New Brunswick shall be liable to Canada for the Amount (if any) by which its Public Debt exceeds at the Union Seven Million Dollars, and shall be charged with Interest at the Rate of Five per Centum per Annum thereon.
116. In case the Public Debts of Nova Scotia and New Brunswick do not at the Union amount to Eight Million and Seven Million Dollars respectively, they shall respectively receive by half-yearly Payments in advance from the Government of Canada Interest at Five perCentum per Annum on the Difference between the actual Amounts of their respective Debts and such stipulated Amounts.
117. The several Provinces shall retain all their respective Public Property not otherwise disposed of in this Act, subject to the Rights of Canada to assume any Lands or Public Property required for Fortifications or for the Defence of the Country.
118. The following Sums shall be paid yearly by Canada to the several Provinces for the Support of their Governments and Legislatures:

	Dollars
Ontario.....	Eighty thousand
Quebec.	Seventy thousand
Nova Scotia	Sixty thousand
New Brunswick.....	Fifty thousand

Two hundred and sixty thousand;

and an annual Grant in aid of each Province shall be made, equal to Eighty Cents per Head of the Population as ascertained by the Census of One thousand eight hundred and sixty-one, and in the Case of Nova Scotia and New Brunswick, by each subsequent Decennial Census

until the Population of each of those two Provinces amounts to Four hundred thousand Souls, at which Rate such Grant shall thereafter remain. Such Grants shall be in full Settlement of all future Demands on Canada, and shall be paid half-yearly in advance to each Province; but the Government of Canada shall deduct from such Grants, as against any Province, all Sums chargeable as Interest on the Public Debt of that Province in excess of the several Amounts stipulated in this Act.

119. New Brunswick shall receive by half-yearly Payments in advance from Canada for the Period of Ten years from the Union an additional Allowance of Sixty-three thousand Dollars per Annum; but as long as the Public Debt of that Province remains under Seven Million Dollars, a Deduction equal to the Interest at Five per Centum per Annum on such Deficiency shall be made from that Allowance of Sixty-three thousand Dollars.
120. All Payments to be made under this Act, or in discharge of Liabilities created under any Act of the Provinces of Canada, Nova Scotia, and New Brunswick respectively, and assumed by Canada, shall, until the Parliament of Canada otherwise directs, be made in such Form and Manner as may from Time to Time be ordered by the Governor-General in Council.

In order to explain this complicated arrangement of financial affairs between the Dominion and the provinces, it may be useful at this point to insert the following explanatory note on the financial negotiations at Confederation, which is taken from "The Maritime Provinces since Confederation", a statistical study prepared by the Dominion Bureau of Statistics, in 1926:

"Financial Negotiations at Confederation.—Prior to Confederation the chief revenues of the provinces had been collected by means of customs and excise duties (indirect taxation), and these customs and excise duties were henceforth to pass to the treasury of the central Government. The remaining revenues, arising largely from the territorial possessions of the provinces, were comparatively small, amounting in 1863 to \$107,000 in Nova Scotia, \$89,000 in New Brunswick, and \$32,000 in Prince Edward Island. As these sums were inadequate to meet the cost of the maintenance of public works and educational institutions and the administration of civil law, it was necessary that the provincial treasuries should be assisted by the Dominion. While in her estimate of outlay for 1864 for local objects the Province of Nova Scotia had provided for an expenditure of \$664,000, she undertook to carry on adequate services in the future under Confederation for \$371,000—a reduction of 40 per cent. Nova Scotia thus needed \$264,000 in addition to her territorial revenues of \$107,000; this sum worked out at about 80 cents per head. New Brunswick, who could not manage her local expenditures on this basis, proposed to reduce them from an estimated \$404,000 to \$353,000, and to make

a further reduction of \$63,000 within ten years, but for each of the first ten years she was to receive a special grant of \$63,000.00 required to balance her accounts, which brought her subsidy to practically the same level as that of Nova Scotia. This figure of 80 cents per head was thus taken as the basis of the normal subsidies to the provinces. To this the London negotiations of February 1867 added for cost of local legislatures \$80,000 for Upper Canada, \$70,000 for Lower Canada, \$60,000 for Nova Scotia, \$50,000 for New Brunswick; it also provided that while the grants in aid of 80 cents per head should in the case of Ontario and Quebec remain stationary as based upon their 1861 population, those to Nova Scotia and New Brunswick should increase with increasing population, until the population of each province reached 400,000 (as ascertained at decennial censuses), thereafter remaining stationary; (B. N. A. Act 1867, s. 118). Thus the maximum grant in aid of each of these provinces was to be \$320,000. (1)

From the above it becomes evident that at the time of Confederation it was not contemplated that the cost of provincial government would grow; if it did, the natural increase of the territorial revenues of the provinces would make provision. If the latter failed, then the provinces would be obliged to resort to direct taxation as per section 92(2) of the B. N. A. Act, an alternative which was considered to carry its own safeguard against local extravagances. The subsidy was fixed, not at an increasing rate according to population, but at the rate which existed at the Census of 1861. By this means, as the population increased, the subsidy would not normally increase with it.

From the standpoint of later experience it would appear that the above was too restricted a view of the financial relations between the Dominion and its provinces, and that in particular it erred in the assumption that the local expenditures of Nova Scotia would be reduced by 40 per cent. From this original attitude arose many of the subsequent demands for "better terms" which disturbed relations between the Dominion and Provincial Governments.

The Debt Allowances.—The second important financial question at the time of Confederation was that of the provincial debts. Since the revenues which paid the interest upon these debts were being allocated to the Dominion Treasury, it was necessary that the latter should also be charged with the payment of the interest. However, since certain parts of the debt of Canada had been contracted for specific local purposes, it was considered that this should not be transferred to the Dominion. The debt of Canada, contracted for general purposes, was about \$62,500,000 or at the rate of \$25 per head for the 2,500,000 people of the united provinces of Upper and Lower Canada,

(1) The financial arrangements at the time when Confederation was being negotiated would appear to have been largely in the hands of the Hon. (later Sir) A. T. Galt, whose speech to his constituents at Sherbrooke on November 23, 1864, gives in outline the settlement arrived at by those who participated in the Quebec Conference in the preceding month. This speech was printed as a pamphlet, and a copy is contained in Vol. II of the collection "Pamphlets on Confederation".

and debt allowances on the same basis were granted to Nova Scotia and New Brunswick on the basis of \$25 per head on their populations, being \$8,000,000 for N. S. and \$7,000,000 for N. B. (See B. N. A. Act, 1867, sections 112-115). The provincial debts assumed by the Dominion at Confederation were therefore as follows:

Canada (Province).....	\$62,500,000
Nova Scotia.....	8,000,000
New Brunswick.....	7,000,000
Total.....	<u>\$77,500,000</u>

Subsequently to Confederation, as the original provinces found their financial resources embarrassed by the payment of interest on the debts which still remained, and as new provinces were taken into the Confederation, readjustments were effected, increasing the total amount of provincial debts assumed by the Dominion to \$109,430,148 in 1895. The additional debts taken over by the Dominion were as follows:

Nova Scotia.....	\$ 1,186,756
The Province of Canada (1873).....	10,506,089
Province of Ontario.....	2,848,289
“ Quebec.....	2,549,214
“ Nova Scotia.....	2,343,059
“ New Brunswick.....	1,807,720
“ Manitoba.....	3,775,606
“ British Columbia.....	2,029,392
“ Prince Edward Island.....	4,884,023
Total.....	<u>\$31,930,148</u>

Grand Total to 1895.....\$109,430,148*

*From the Statistical Year Book of Canada, 1895. Since 1895 only a minor amount has been assumed (See the Public Accounts), viz., \$267,026 in 1899.” (The Maritime Provinces Since Confederation, p. 113, 114).

Better Terms Extended to Nova Scotia in 1869.

The negotiations with respect to the financial claims of Nova Scotia, in 1869, were conducted by the Minister of Finance, Hon. John Rose, on behalf of the Dominion of Canada, and Mr. A. W. McLelan, on behalf of the Province of Nova Scotia. As a basis of settlement Mr. Rose submitted a report of the Auditor-General of Canada on the financial position of Nova Scotia, under the original terms of confederation. As the result of the discussion which followed, Messrs.

Howe and McLelan accepted proposals from the Federal Government which are contained in a report of the committee of the Privy Council, dated 25th January, 1869, as follows:

"1st. That the debt of Nova Scotia, on entering the union, be placed as \$9,188,756, and that province be relieved from any charge of interest, unless her debt exceed that sum, and—

"2nd. That for ten years, from the 1st July, 1867, an annual subsidy of \$82,698 be paid to that province.

"The committee further report their concurrence in the recommendation of the Finance Minister, that Nova Scotia be debited, after the completion of the province building, with interest on the cost of that building, until it shall have been placed at the disposal of the Dominion."

The negotiations referred to above were concluded before the publication of the despatch from the Earl of Granville to the Governor-General of Canada, dated January 13, 1869. It is of interest to observe that when the Legislature of Nova Scotia received a copy of the despatch from the Earl of Granville, it expressed its views in the terms of resolutions introduced in the House of Assembly on the 12th May, 1869, and finally passed on the 25th May. (Journal of House of Assembly, 1869, page 29; finally passed, page 55). These resolutions, as moved by the Attorney-General, were as follows:

"Whereas, His Grace the Duke of Buckingham, late Secretary of State for the Colonies, in a despatch bearing date 4th June, last, has thrown upon the Government and Parliament of Canada the responsibility of conciliating the people of this province, and reconciling them to confederation;

"And Whereas, Earl Granville, Secretary of State for the Colonies, in a despatch of the 13th of January last, probably written under the impression that sufficient time had not then been afforded the Government and Parliament of Canada to try out the policy of conciliation with which they were charged by Her Majesty's Ministers, has said, "I can hold out no expectation "that Her Majesty's Government will propose, or that parliament will entertain any measure for the repeal of the act of 1867."

"And whereas, in view of that decision of Her Majesty's government, it is expedient to wait such reasonable time as may be necessary for the Canadian government and parliament to mature and submit measures of relief for the pacification and conciliation of the people of this province:

"Resolved, That, pending the deliberation and decision of the Canadian Government, it is the duty of this house to declare:

1st. That the expectation held out in the despatch of His Grace the Duke of Buckingham to the Governor-General of 4th June last, that the Government and Parliament of Canada should relax or modify existing arrangements relative to taxation, the regulation of trade and the fisheries, which may prejudice the peculiar interests of Nova Scotia and the maritime portion of the Dominion, should be fully complied with.

2nd. That this House will accept of any increase of subsidy from the Canadian Government that may be offered, as an instalment of the amount justly due this province, reserving the right to demand from said government such further sum or sums of money, as upon a full investigation of the statistics in relation to population, public property, and increased taxation, will more fully appear.

3rd. Resolved, That while the enforced union of Nova Scotia under the British North America Act continues, it is the duty of this House to seek such modifications and improvements of said act, as will make it less burdensome and injurious to the people of this province; among which the following are the most important:

That the maritime provinces of Nova Scotia and New Brunswick should be considered as a unit, with separate and distinct interests from other parts of the dominion, which can only be guarded and promoted by an increased representation in the House of Commons, equal to the number of members allowed to the province of Quebec, which is in the same proportion as the existing allotment of members to the Senate.

That in the selection of members to the Senate, the Local Legislatures of the provinces, instead of the Federal Executive, should make all such appointments.

4th. Resolved further, and it is hereby declared, That no settlement of the question involved in the passing of the act of Confederation, either as respects its principles or its details, will be considered as final until after the subject has been submitted for the approval of the people."

Finality Clause in "Better Terms" Act

In accordance with the "Better Terms" settlement a resolution was introduced into the House of Commons and a bill based upon it which subsequently became Chapter 2 of the Acts of 1869 of Canada. The Provincial Legislature accepted, as already pointed out, the increase of subsidy given thereby as an instalment only of the amount due Nova Scotia. The Act as finally passed contained, however, this clause, which was not a part of the original resolution or of the bill as introduced:

"5. The Grants and provisions made by this Act and the British North America Act, 1867, shall be in full settlement of all demands on Canada by Nova Scotia."

The Journals of the House of Commons, 1869, page 90, show that this clause did not appear in the resolution as introduced by the Minister of Finance, which resolution was the result of the deliberations between the representatives of the Government of Canada and certain representatives of Nova Scotia in the Parliament of Canada.

Various objections were taken by the Federal members from Ontario to the passage of the "Better Terms" bill. Mr. Blake moved in amendment that the basis of union having been fixed and settled, the Parliament of Canada had no authority to make a change therein and that an unauthorized assumption of such power would imperil the interests of the various provinces, etc. This was negatived, 96 to 58, and the resolutions were finally passed by varying majorities in respect to each clause.

The bill based on the resolutions was introduced by the Minister of Finance and in committee, after it had been read the second time, Mr. Blake moved to add section 5 above quoted, which was adopted. (Journals, House of Commons, 1869, page 261).

The attitude of the representatives from Ontario was that the subsidy to that province should be increased in the same proportion as that to Nova Scotia, though Ontario had an overflowing treasury and a surplus of at least \$500,000 at that time.

The above-quoted "finality clause" was used, as will appear from time to time, as a bar to further negotiations in connection with any readjustment of the subsidy and the extension of the special grant for any enlarged period. But it is evident that the Nova Scotia Legislature, in accepting the amount, did not regard the subsidy arrangements as a final settlement of the difficulty.

The Liquidation of Provincial Grievances By Increased Subsidies

It was unfortunate from the standpoint of Nova Scotia that the negotiations of 1869 were concerned almost exclusively with a revision of the financial arrangements of the federal constitution. While the revision of the debt settlement and the special subsidy for a ten-year period afforded a measure of immediate relief to the Provincial Treasury, it ignored the larger subjects of taxation, trade policy, and fisheries which had been placed in the foreground of the movement for repeal. No doubt there are plausible explanations of this omission. The two years which had elapsed since the new federal constitution had come into operation afforded little evidence of the effect of the new Dominion tariff upon the interests of Nova Scotia. The tariff was still a moderate one, the 20% ad valorem of the old Province of Canada having been replaced in 1866 by one providing a general rate of 15%

which in due course was adopted as the first tariff of the Dominion. Similarly the period 1867-1869 had given little opportunity to study the effect of union upon the important fisheries of Nova Scotia. Finally, the hope of a reciprocity agreement with the United States had not yet receded, and this was regarded as a factor of vital importance in its relation to trade policy and the fisheries. Nevertheless, the emphasis of the "better terms" agreement on the debt settlement and subsidy served to focus attention on the less important aspects of the claims presented by Nova Scotia.

The over-emphasis on money grants as a solatium for provincial grievances not only served to obscure the fundamental difficulties of the Maritime Provinces within the federal system established by the B. N. A. Act, 1867, but in its later development did much to disturb and vitiate the relations between the Dominion and the provinces. In Ottawa it created an impression that disaffected provinces could always be bought off by a money payment. In Halifax and in other provincial capitals it suggested that the financial embarrassment of a province might be relieved by additional or increased subsidies from the Dominion, secured as a result of a revival of old grievances or the formulation of new claims for financial aid. It is not intended to suggest that a revision of the financial arrangements of union was not necessary in 1869 or at later periods. This subject will be dealt with in due course on its own merits. It is important to observe, however, that the precedent created in 1869 gave a direction to the claims of Nova Scotia which had an unfortunate bearing on its relations with the Dominion. It overstressed the importance of increased subsidies as a remedy for the economic difficulties of the province, and diverted attention from the more important task of securing an investigation and revision of those features of the federal constitution and of federal policy which have had a more important, though less obvious, effect on its economic position.

Subsequent History of Nova Scotia's Claims for Financial Aid From the Dominion Government.

The record of later negotiations between Nova Scotia and the Dominion Government on the subject of the revision of the financial terms of the B. N. A. Act, 1867 will be found in the brief submitted on behalf of the Province of Nova Scotia in 1926 to the Royal Commission on Maritime Claims. It has been thought unnecessary to repeat this portion of the historical narrative in the present submission. It is important to emphasize, however, that up to the appointment of the Royal Commission on Maritime Claims in 1926 the grievances of Nova Scotia were presented almost invariably in a manner which suggested that they might be removed by an increased subsidy from the Dominion. This created a false and mischievous idea that the economic disabilities of the province could be removed by an alteration in the figures of the provincial balance sheet.

The Royal Commission on Maritime Claims 1926.

The year 1926 marks a significant departure from the practice of seeking the removal of economic disabilities by a revision of financial arrangements between

the Dominion and the province. In that year the Royal Commission on Maritime Claims was appointed under terms of reference which gave it the widest mandate to inquire into the causes of the failure of the Maritime Provinces to achieve satisfactory economic progress within the structure of Confederation. In the Order-in-Council authorizing this inquiry it is stated that representations had been made from time to time on behalf of the people of the Maritime Provinces by resolution passed by the Legislature of Nova Scotia, by Boards of Trade and other public bodies and by their representatives in Parliament and the various legislatures, that the interests of the Maritime Provinces had suffered as a result of certain legislative and administrative measures adopted from time to time by the successive Parliaments and Governments of Canada.

"Such representations relate more particularly to the alleged failure to use Canadian ports for Canadian trade to the extent to which they might be utilized, and to the handicaps said to result from the operation of the schedules of rates, chargeable for the carriage of goods on the railways uniting the Maritime Provinces with the other provinces of Canada and to the manner of administering that part of the Canadian National Railways system which was formerly known as the Intercolonial Railway by methods and condition alleged to be inconsistent with the pledges given at the time of Confederation in regard thereto and with the practice followed from the time of the construction of the railway until December, 1918. These representations have also been directed to the effects of the customs, immigration and other economic policies adopted by successive Governments, or certain financial measures, and of the disposition or allotment to provinces of public lands of Canada, and it is alleged that at the time of the consummation of the Confederation certain pledges were given that such measures would be undertaken and such policies pursued as would insure for the future a satisfactory economic position for these provinces and that these pledges have been disregarded as a result of which the Maritime Provinces have not shared in equal measure the prosperity enjoyed by the Dominion as a whole."

On the basis of these representations provision accordingly was made for an inquiry into the claims set out above, and into claims set forth in any memorandum that might be presented by the Governments of the Maritime Provinces and into representations that might be presented to the Federal Government or to the Commission relative to the conditions and claims of the people of the Maritime Provinces. An examination was to be made from a national standpoint of all the factors which peculiarly affect the economic position of the inhabitants of these provinces and upon the results of such inquiry and examination the Commission is as instructed to recommend appropriate measure of redress and relief.

It is evident from the scope of the inquiry as outlined in the Order-in-Council of April 7th, 1926, that it was to be as complete and exhaustive as possible. As originally constituted there were no restrictions upon its freedom of investigation. This view of the scope of the Commission is confirmed by a letter addressed by the

Rt. Hon. W. L. Mackenzie King then Prime Minister of Canada, to the Chairman and Members of the Commission, bearing the date of April 17th, 1926. The opening paragraph of this letter is in the following terms:—

“The Government of Canada is asking you to undertake a task of national importance in inquiring into Maritime Province grievances. The scope of the inquiry is indicated in the Order-in-Council constituting the Commission. My colleagues and I desire to emphasize our conviction that the Commission should not interpret its instructions or its duties in any narrow or technical sense, but should take every opportunity for the fullest and frankest discussion of the economic difficulties facing this part of the Dominion, the endeavours which have been made to overcome them, the causes of any shortcoming in these endeavours, and the most effective and practicable remedies.”

The Report of the Royal Commission on Maritime Claims.

The recommendations of the Royal Commission on Maritime Claims are a matter of record and need not be set out in detail here. Certain of these recommendations will be referred to in appropriate sections of this brief. It is not to be doubted that some of the recommendations of this Commission as implemented subsequently by legislation have removed or alleviated long-standing disabilities of the Maritime Provinces. The Province of Nova Scotia has reason to acknowledge its indebtedness to the Commissioners for the manner in which they performed a difficult task and for the many specific remedies recommended in their Report. The breadth of their inquiry has served to assist in considerable measure the investigation confronting this Commission of 1934.

In acknowledging this debt of gratitude to the Royal Commission on Maritime Claims, however, it is necessary to point out one important omission in its investigations and report. It failed to inquire into the incidence of the Canadian tariff on the economic life of the Maritime Provinces. It is not easy to find a satisfactory reason for this omission. The terms of reference as set out in the Order-in-Council referred to above did not preclude an investigation of the effects of the tariff policy of the Dominion upon the Maritime Provinces. On the contrary this subject of inquiry is mentioned explicitly in the Order-in-Council. The reason given by the Commission for its failure to make recommendations with respect to tariff duties on coal, iron and steel was that the revision of such duties was before the Tariff Board for consideration. This reason cannot be accepted as valid in the light of the terms of reference issued to the Commission which distinctly authorized the investigation of the customs policy of the Dominion in its effect upon the Maritime Provinces. Nor is it easy to see how any thorough investigation of the economic problems of any political community could be undertaken without an inquiry into the fiscal policies which had regulated its trade and commerce for a period of sixty years. Furthermore, the incidence of tariff policy upon the economic life of the Maritime Provinces is related intimately to the

productive income of these provinces and has therefore a direct bearing on the adequacy of the financial arrangements subsisting between the Dominion and the provinces. The failure of the Royal Commission on Maritime Claims to investigate the effects of the tariff policy of the Dominion upon these communities has not only vitiated some of the conclusions arrived at in the Report but has also left untouched a major field of economic inquiry, and one which has a peculiar importance to Nova Scotia by virtue of its geographical position and the character of the negotiations which preceded its entrance into the Canadian federation. In view of this omission a considerable portion of the brief submitted by the Government of Nova Scotia to this Commission will be concerned with the incidence of Canadian tariff policy upon the economic development of Nova Scotia.

CHAPTER III.

DEVELOPMENT OF A CANADIAN TRADE POLICY

1867-1879.

In any survey of the development of a Canadian trade policy, in the period 1867-1879, it is important to keep three considerations clearly in mind.

In the first place, the provinces of British North America in 1854-1866 had enjoyed the advantages of free commercial intercourse, in natural products, with the United States, under the terms of the Reciprocity Treaty of 1854. To the Maritime Provinces especially, this trade with the United States, during a period of relatively high prices, had brought an unprecedented degree of prosperity. The flourishing commerce between Maritime ports and the New England seaboard had established business connections and channels of exchange which conferred great advantages on the mercantile and ship-building interests of the provinces. An examination of the trade returns of Nova Scotia for 1865 reveals the relative importance of the American market for the products of this Province.

Exports and Imports of Nova Scotia (1865).

	Exports	Imports
United States.	\$3,619,797	\$4,325,857
British West Indies.	1,966,459	667,206
Great Britain.	764,742	6,315,988
Canada.	438,191	508,935
New Brunswick.	477,944	694,159
Newfoundland.	468,969	186,308
P. E. Island.	315,950	203,371
French West Indies.	153,275	11,105
Other countries.	625,366	1,468,733
	8,830,693	14,381,662

In the second place, the negotiations for Confederation had been stimulated by the hope that a union of the provinces of British North America would improve the prospect of a renewal of the Reciprocity Treaty with the United States; or, in the alternative, would provide a recompense for the loss of the American market through the building of the Intercolonial Railway and the removal of the tariff barriers against manufactures which previously had impeded trade between the Maritime Provinces and the united Provinces of Upper and Lower Canada. The Imperial Government, in its efforts to bring about a union of the provinces of British North America, had expressed the view that the new Dominion would be in a more advantageous position than the separate colonies to secure a renewal of the Reciprocity Treaty with the United States.

Finally, it was recognized both by the Imperial Government and by the several provincial Governments, that the failure to secure a renewal of the Reciprocity Treaty would lead to a serious disturbance of existing trade movements, and would emphasize the necessity of obtaining new foreign markets for the produce of the provinces of British North America.

THE CONFEDERATE COUNCIL OF TRADE

Against this historical background, and under the influence of these considerations, the Confederate Council of Trade was summoned in 1865, at the suggestion of the Imperial Government, to establish concerted action among the British North America provinces with reference to the Reciprocity Treaty of the United States, and to give advice regarding other commercial arrangements in the event of the existing treaty with the United States not being renewed. Over-shadowed by the movement for Confederation inaugurated at Quebec in the previous year, the Council of Trade attracted little public notice when it was convened. It was summoned to meet a special contingency, and its deliberations occupied the brief span of two days. Its significance, however, transcends the contingency which called it into existence. Looking back over the path of constitutional progress in Canada, the Confederate Council of Trade appears as a distinct land-mark in the gradual development of Colonial participation in external affairs. It constituted the first formal recognition on the part of the Imperial Government that the British North American provinces had the right to be consulted in the negotiations of commercial treaties by which their interests were vitally affected.

After making a number of special recommendations regarding the proposed negotiations for the renewal of the Reciprocity Treaty of the United States, the Council resolved that, "In the opinion of this Council, it would be highly desirable that application be made to Her Majesty's Imperial Government, requesting that steps be taken to enable the British North American provinces to open negotiations with the West India Islands, with Spain, and her colonies, and with Brazil and Mexico, for the purpose of ascertaining in what manner the traffic of the provinces with these countries could be extended and placed on a more advantageous footing." This resolution was approved of by the Secretary of State for the Colonies, and was transmitted by His Excellency, Sir John Michel, Administrator of the Government of Canada, to the Governments of the Maritime provinces, with a request that they unite with Canada in sending a Commission to the West Indies, Brazil and Mexico, as contemplated by the recommendation of the Council. Nova Scotia, New Brunswick and Prince Edward Island, having replied in the affirmative, appointed commissioners to join those from Canada for the purpose of carrying the resolutions into effect. Early in December, 1865 the Commission arrived in England where they had several interviews with Lord Monck and the Colonial Secretary. At the instance of the latter, Lord Clarendon, Secretary of State for Foreign Affairs, gave them introductory letters to the British Consuls at all places

they intended to visit in foreign possessions, while Cardwell furnished them with introductions to Governors of the British Colonies in the West Indies. Armed with these credentials the Commission visited Brazil, Cuba, and the British Colonies in the West Indies, Mexico being omitted from their itinerary because it was then involved in civil war. Wherever they went their representatives were received with the utmost courtesy. On the basis of the information obtained on their mission, they later presented a detailed report to their several Governments, containing many constructive suggestions for the development of trade between the British North American provinces and the various countries visited in the course of their mission. This report has been transcribed and will be submitted to this Commission for examination.

THE HOME MARKET VERSUS EXTERNAL MARKETS

It has been observed previously that the Province of Canada had adopted the protective principle as the basis of its trade policy, with the deliberate purpose of fostering domestic industries. In the years immediately preceding Confederation, each of the provinces of British North America had obtained complete control of its own tariff policy. This was a logical consequence of the parallel movements of free trade in Great Britain, and responsible government in the colonies of British North America. In 1859, Alexander Galt, the Finance Minister of Canada (United Provinces of Upper and Lower Canada) had asserted the right of the self-governing colonies to control their own commercial policy. In an official despatch sent to the Secretary of State for the Colonies in Great Britain, he declared that the responsibility of the Canadian Government must be to the Canadian people, more especially in matters of taxation (the greater part of the revenue being raised by customs duties), and that the Canadian Government must affirm the right of the Canadian Parliament to adjust the taxation of the people in the way it deemed best, even if this should happen to meet with the disapproval of the British Ministry. This doctrine was not contested by the British Government. Its acceptance enabled the Province of Canada to establish the outlines of a protective tariff which was in operation when the negotiations for federation reached their consummation.

In the Maritime provinces, on the other hand, the principle of protection had never been adopted, and the tariff was kept at a level determined by the revenue requirements of these provinces, being substantially lower than the tariff adopted by the Province of Canada. The protective tariff of the old province of Canada, as adopted in 1859, provided for a prevailing ad valorem rate of 20%. The average ad valorem rate in Nova Scotia was 10%, and in New Brunswick 12%. It should be noted, also, that all the natural products of the soil, the sea, the mines, and the forests, passed freely between these Provinces before the Confederation negotiations were initiated; everything in short, except manufactured goods, and in 1862, two years before the Quebec Conference, the Government of Canada advocated a free interchange of manufactured articles between the Colonies, a proposal which was

then declined as premature by Nova Scotia and New Brunswick. The 20% ad valorem tariff of the province of Canada was retained until 1866, when it was replaced by a tariff with the rates of duties on the great bulk of manufacturing goods reduced from 20% and 25% to 15%. This tariff of 1866 was adopted in substance, in the following year, as the first tariff of the Dominion.

In the years immediately following Confederation the Dominion Parliament retained the 15% ad valorem tariff adopted at its first session. During this period, it should be remembered, negotiations with the United States for the renewal of the Reciprocity Treaty were still in progress. One might have assumed that the uncertainty of regaining free intercourse in natural products with the United State would have led to active efforts to secure other foreign markets for the surplus produce of the Canadian provinces along the lines of the recommendations made by the commissioners appointed pursuant to the recommendation of the Confederate Council of Trade. It does not appear, from the records of Parliament, however, that the Government of the day made any serious attempt to carry out these proposals for commercial agreements with foreign countries. On the contrary, it would seem that the trend of official opinion was diverted from the objective of foreign markets to the more immediate purpose of securing the Canadian home market for Canadian producers.

Not until 1870 do we find any evidence of a serious discussion of the proposals made by the trade commissioners appointed under the recommendations of the Confederate Council of Trade. In that year a debate occurred on a resolution, moved by the Hon. Lucius Huntington, proposing that Canada be given the right to negotiate directly with other countries for the purpose of entering into commercial arrangements with them. In speaking to this motion, Hon. Sir. A. T. Galt, who previously had been in charge of the financial negotiations of Confederation at the Quebec Conference, referred to the alternative trade policies which might be adopted by the Dominion. There were, he said, two courses open for Canada at that moment: the one was a policy of restriction and of retaliation, the building up of a "Chinese wall" between Canada and other countries; the other was a policy of developing trade with foreign countries, of adopting free trade, as far as was consistent with revenue purposes, and seeking to give to Canada that trade with other markets which was so much needed. He made much of the point that the great interests of the country were the primary industries, and that these interests must seek a foreign market. "We cannot", he said, "consume all this produce, and we must seek a market that can consume our surplus lumber and agricultural produce, that can consume our surplus fish and minerals, that we have to dispose of. No restrictions that I can conceive of will enable us to consume this surplus of ours. You may put up barriers in the way, you may try to compel one part of the country to consume one article produced in another part, but the great bulk of the produce of the country must seek a foreign market and any attempt to restrain our export trade would only embarrass our country."

Sir Alexander Galt then referred particularly to the report made by the Commission to the West Indies and South America sent out under the recommendation of the Confederate Council of Trade: "We may well ask", he said, "after the report of that Commission, after it has been seen from particulars given in that report, that there is an opening for the products of this country in the British West Indies, Spanish West Indies, Brazil, and other foreign countries—after we have seen this we may well ask, what has been done since? From the time that Commission returned home to the present, upwards of four years, we cannot point to any action taken on the part of our Government to promote this objective, which really appears to be so easily obtainable and in its result so important to the interests of the country." Referring particularly to the benefits which would accrue to the Maritime Provinces from the adoption of such a policy, Sir Alexander Galt said:

"Let us look at the changes which would result in the Maritime Provinces from such a course; look at the employment which would be given to her shipping, and the way in which they could become the carriers of our products to the West Indies and the South American countries. We want the productions of the interior to find their way to foreign countries and give employment to our own ships, and our own marines and our own merchants; and I complain that the Government will not try to bring these results about."

ANTICIPATIONS OF THE NATIONAL POLICY

The only reasonable explanation of the failure of the Canadian Government to act upon the recommendations of the Confederate Council of Trade and its Commission, is to be found in the evident determination of that Government to so frame its policies as to stimulate inter-provincial trade rather than foreign trade, and to cultivate the home market instead of world markets.

In the parliamentary debates on trade and tariff policy in the session of 1870, leading members of the Government made it clear that they were pre-occupied already with the formulation of a policy which would guarantee a Canadian home market to Canadian producers. The dim outline of the National Policy of protection can be seen in the observations of those who spoke on behalf of the Canadian Government. As Sir John Macdonald, Prime Minister, said in the debate on the tariff, "We must have a Canadian policy or have no Canadian policy. Now the Government would contend for and insist upon one general Canadian policy . . .". "The Government had abandoned, with great regret, the duties on coal and wheat, as they believed the house was not prepared to carry these two items; but they were now determined to carry out a Canadian policy in its entirety, notwithstanding any inconvenience it might cause to particular portions of the Dominion, and he believed the Government could call upon these parts of the country to assist them in carrying out a national policy, and at the same time call upon the other parts to yield to anything in the tariff which might locally affect them unfavorably, if it

benefitted the whole country..... He agreed that a portion of the present tariff might press unduly on particular parts of the country, but he asked his friends from Western Canada to support the duty on coal, and he asked other members from any particular locality, who felt a particular duty pressed unduly upon that locality, to give up for the moment the consideration of local interests, and to consider what was best for the whole country."

Such views as those expressed by Sir John Macdonald in the passage just quoted were influenced, no doubt, by the fact that repeated attempts had been made to renew the Reciprocity Treaty with the United States, but without success. Spokesmen for the Canadian Government disclaimed retaliation as an element in trade policy, but there was a definite suggestion of retaliation in some of the tariff changes of 1870, imposing duties on coal, salt, and breadstuffs. These duties were withdrawn subsequently in the same year because of their unpopularity in Canada.

LATER ATTEMPTS TO SECURE RECIPROCITY WITH THE UNITED STATES

In the succeeding years, up to 1874, both the Macdonald administration and the MacKenzie administration sought a Reciprocity Treaty with the United States. The negotiations conducted by Hon. George Brown in 1874 gave every promise of success until they were wrecked by the indifference of the United States Senate. Had a treaty resulted from these negotiations, there can be no doubt that the interests of the Maritime Provinces would have benefitted greatly by the resumption of former commercial relations with the New England states. To quote from Dr. O. D. Skelton's "Economic History of Canada, 1867-1912":

"Looking back today, one must consider the Brown-Fish project the most advantageous put forward by responsible statesmen in the long line of reciprocity negotiations. Fisheries and natural products were settled as in 1854; the coasting trade of the lakes was thrown open; the reciprocity of river and canal navigation arranged by the Treaty of Washington was continued, and Canada had to enlarge her canals—a measure at least as much in her own behoof as in that of the United States, and bitterly attacked by New York State forwarding interests. An important list of manufactured goods was to be free, chiefly textiles and manufactures of iron and leather; the reduction of duties was to be spread over three years, according to a sliding scale agreed upon. Probably some temporary difficulty would have been met by Canadian manufacturers in competing in some of the commodities covered, especially those involving heavy capital expenditure; but given a twenty-four years' assurance of the United States market, given the continuance of Canada's lower duties on raw materials, and there is not a shadow of doubt that British capital would have poured in to seize the unique opportunity offered by this

combination of low cost of production and access to the markets of the whole continent, and would have made Canada the manufacturing centre of America. There was no discrimination against British goods, no pooling of revenues, no sacrifice of national control of fiscal policy."

The failure of the negotiations of 1874 coincided in point of time with the severe economic depression which had followed the panic of 1873. This conjuncture of events had its influence on fiscal policy in Canada. In 1873 the contraction in revenue collected from revenue duties had led to an increase in the general ad valorem rate from 15% to 17½% with a 20% rate on certain luxuries. The continuance of the economic depression led to an insistent agitation from the manufacturing interests of the Dominion for more adequate protection from foreign competition. Out of such circumstances there emerged the clear outlines of the National Policy of avowed protection for Canadian industries which has been maintained in its underlying principles, despite certain broad modifications introduced with changing administrations at Ottawa, down to the present day.

THE PARTING OF THE WAYS

No Canadian statesman had a clearer vision of the fiscal needs of the Dominion and its component provinces than Sir Alexander Galt. He, so to speak, had been the architect of the financial substructure of Confederation, adopted at the Quebec Conference of 1864. He knew the resources of the various provinces. He had been the first Finance Minister of the new Dominion in 1867. He realized, more than most of his colleagues, the importance of reconciling the fiscal and commercial needs of the Maritime Provinces with those of the inland provinces of Ontario and Quebec. In introducing his budget of 1866, in the old Province of Canada, he had laid down principles which he reiterated in 1870 in the passage quoted in an earlier paragraph. Canada, he declared, had come to the parting of the ways; she must choose between the American system of high protection and the English and European system of revenue duties. If the Canadians were to copy in every respect the commercial policy of the United States, they might as well join political forces also; but if, as all hoped and determined, two separate and distinct nations were to be built upon this continent, it would be well to adopt distinct fiscal systems. Cut down duties on manufactured goods—unfortunately they could not at present be entirely abolished—make Canada a cheap country to live in and a cheap country to produce in; give Canadian manufacturers low taxes, low labour cost and cheap raw material, and instead of being given control of the single and limited market of Canada, they would be enabled to compete on favourable terms in the markets of the world. (1)

It needs no argument to demonstrate that the policy advocated by Galt, first in 1866 and then in 1870, was a fiscal policy which was calculated to develop the Maritime portion of the Dominion, although Galt himself supported it equally from the standpoint of the industrial provinces of Ontario and Quebec. It also

1) See "Canada and its Provinces," vol. 9, p. 134.

needs little argument, for experience has supplied the deficiency, to demonstrate that a policy of avowed protection for the manufacturing interests of the country would prejudice the commercial interests of the Maritime Provinces, whatever its effects might be on the larger provinces of Ontario and Quebec. These were the alternative policies before the Dominion Government and Parliament, in the period 1867-1879. The choice was made in favour of a policy which was designed to protect the home market and stimulate inter-provincial trade. A direction was given to Canadian fiscal policy which has been maintained with minor deviations for the past half century. The National Policy, in its genesis and growth, has been a policy of outright protection for Canadian industries.

TARIFF CHANGES EMBODIED IN THE NATIONAL POLICY OF 1879.

The changes in the tariff embodied in the National Policy of 1879 are summarized by Dr. O. D. Skelton in his "Economic History of Canada, 1867-1912":

"On the lines of cotton goods likely to be manufactured in Canada, duties were raised from seventeen and a half percent to rate, specific and ad valorem equivalent, on the importations of 1881, to thirty percent. The duties on woolens, all in the seventeen and a half percent schedule in 1878, were practically doubled; in 1881 blankets paid forty-five percent; clothing thirty-five; cloths, coatings, tweeds, thirty-two; dress goods and other woolens about twenty percent. The rates on furniture and clocks went up to thirty-five percent; on carriages, glassware, wall-paper and silks to thirty; on boots and shoes, buttons rubber goods and woodenware, to twenty-five. Sugar was given a five to ten percent increase, and the bounty on export of refined sugar offered by certain countries in the form of excessive drawbacks, was to be considered in determining the basis for levying duties. Pig-iron, previously free, was made to pay two dollars a ton; the duty on iron billets, bars and rods was increased from five to ten and seventeen and a half percent, while manufactured iron and steel products and machinery were given twenty-five to thirty-five percent protection. The rate on goods not otherwise provided for was increased from seventeen and a half to twenty percent, but the bulk of the import commodities in the old seventeen and a half percent schedule were given special and higher rates. A marked feature of the new tariff was the substitution of specific or compound duties for the ad valorem rates of the old tariff, a measure designed to guard against such a falling-off in the revenue as had resulted from the decrease in values in the years of depression, and, it may be, to conceal the extent of the increase from the lay public. The farmer was remembered by the imposing of duties on wheat, barley, Indian corn and other breadstuffs, and doubling of the duty on live-stock. Inter-provincial trade was promoted by a duty of fifty cents a ton on coal, both bituminous and

anthracite, to give Nova Scotia an advantage to compensate for the higher prices paid Ontario for flour; New Brunswick was allowed to pay both bills without amends." (For later changes see "Canada and Its Provinces, Vol. 9, p. 155).

MOTIVES AND PURPOSES OF THE NATIONAL POLICY

When the National Policy was brought down in the Budget of 1879, it was made abundantly clear that it was designed, as its name implies, to confer benefits upon the varied interests of the entire Dominion. The Government of the day denied in the strongest terms that it was intended to confer special advantages upon any one section of the country. On the contrary it was calculated to strengthen, revive and create manufacturing industries in all the provinces of the Dominion thereby establishing, it was declared, a larger home market for agricultural products in each and all of the provinces. The following extracts from speeches delivered by the proponents of the measure afford an indication of the motives which lay behind it and the objectives it had in view.

The National Policy was introduced by Sir Leonard Tilley, of New Brunswick, then Finance Minister of the third administration of Sir John Macdonald. In bringing down the Budget Sir Leonard Tilley made the following statement:

"The time has arrived, I think, when it will become our duty to decide whether the thousands of men throughout the length and breadth of this country who are unemployed, shall seek employment in another country, or shall find it in this Dominion; the time has arrived when we are to decide whether we will be simply hewers of wood and drawers of water; whether we will be simply agriculturists raising wheat, and lumbermen producing more lumber than we can use or Great Britain and the United States will take from us at remunerative prices; whether we will confine our attention to the fisheries and certain other small industries, and cease to be what we have been, and not rise to be what I believe we are destined to be under wise and judicious legislation, or whether we will inaugurate a policy that will, by its provisions, say to the industries of the country, we will give you sufficient protection; we will give you a market for what you can produce; we will say that, while our neighbors build up a Chinese wall, we will impose a reasonable duty on their products coming into this country; at all events, we will maintain for our agricultural and other productions largely, the market of our own Dominion." (House of Commons Debates, 1879, p. 429).

Referring particularly to the intended effect of the National Policy on the interests of the Maritime Provinces, Sir Leonard Tilley made the following comments:

"As far as the agricultural interests in the Lower Provinces are concerned, they will be benefitted by getting an increased home market for their pro-

ductions, and increased prices for some of their articles Something was said the other night with reference to our manufactures in the different parts of the Dominion. I am not, I think, over-sanguine when I say the day is not far distant when the population in the western country will be greater than it is in Canada, and when the Maritime Provinces, with their coal, iron, and water-power, will be manufacturing centres for this vast Dominion It is my conviction, in reference to the Province of New Brunswick, that the manufacturing equally with the agricultural and lumber interest, will be fostered and encouraged by the present tariff." (House of Commons Debates, 1879, pp. 1306-1308).

Sir Leonard Tilley, denying that the National Policy would be a sectional policy, declared in the strongest terms that it was designed to benefit all parts of the Dominion:

"We are told that this is a sectional policy, that it is going to separate the people, that the Government or the Finance Minister was simply a Committee appointed to receive propositions from the men who came to Ottawa. I can only say that, if we accepted the propositions from all parts of the Dominion, the tariff would have been a very queer mixture indeed, because we naturally had conflicting interests to deal with. But the Government, in view of its responsibilities, as representing Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, and the North-West, had to consider and decide as to what was in the interest of the whole Dominion, and what might meet, fairly and justly, the interest of the whole country. If we had come down with a proposition directly in the interest of one Province, no matter how great it might be, had we taken propositions *en bloc* from Ontario for example, the other Provinces would have grounds for complaint. Our scheme is not for a section, but for the interest of the whole country. (House of Commons Debates, 1879, pp. 719-720).

And Sir Charles Tupper, speaking particularly of the interest of Nova Scotia in the National Policy, made reference to the enlarged market for Nova Scotia coal in the Provinces of Ontario which would following the adoption of the Protective Policy:

"I believe, in the interests of Ontario, it is a wise policy to develop the coal industry of Nova Scotia. That province is one important part of the Dominion, and twelve million dollars of capital invested in coal mines cannot lie dead and unremunerative without inflicting great injury on the whole country. Nova Scotia has common interests with the other Provinces, and contributes to the general revenue, and it is, therefore, the duty of Parliament to adopt all legitimate measures to promote and foster its industries. What would be the effect of pursuing a contrary course? In the present state of the labour market in the United States, coal can be produced at exceedingly low prices and if the Nova Scotia coal industries are not fostered they will be crushed out,

and the people so employed will go to swell the ranks of those engaged in building up that great country to the south of the line." (House of Commons Debates, 1879, pp. 464-465.)

These statements from the authors of the National Policy will suffice to indicate that the adoption of an outright Protective Tariff in Canada was predicated on the belief that any benefits through stimulus to manufacturing and enlargement of home markets for agricultural products would be distributed fairly among the several provinces of the Dominion. With this purpose it was introduced; upon this understanding it was adopted by Parliament.

THE NATIONAL POLICY AND THE MARITIME PROVINCES

While the declared purpose of the National Policy was to distribute benefits over the entire Dominion, it is of interest to observe that some of the representatives in the Dominion Parliament from the Maritime Provinces were doubtful of its stimulating effect upon economic activity in this portion of Canada. It will be remembered that prior to Confederation both New Brunswick and Nova Scotia had imposed a scale of duties materially lower than those adopted by Canada. Moreover, the tariffs of these provinces were avowedly for revenue purposes and were not designed to afford protection to domestic manufactures. As a result of Confederation the general tariff had been raised to the level hitherto prevailing in Canada. The changes proposed by the National Policy of 1879 went far beyond any tariff which previously had regulated the trade of the seaboard provinces. The following excerpts from speeches delivered by members of the Opposition in the Dominion Parliament during the Budget debate reveal the misgiving felt by some representatives from the Maritime Provinces regarding the ultimate effects of the new measures of protection embodied in the National Policy.

Mr. Flynn (Nova Scotia) "If the Maritime Provinces were also to prosper their trade must be with the United States, which were the great purchasers of all their articles of export. Even the exports of Nova Scotia to the Upper Provinces had not increased in the slightest degree since 1866. In 1866 the exports were \$438,000, and the imports \$500,000. In 1876 the imports were about $3\frac{1}{2}$ millions from Ontario and Quebec, while the exports did not exceed the amount of 1865-66, thus showing that the exports from Nova Scotia to the Upper Provinces had not increased, while the imports from those Provinces had gone up to $3\frac{1}{2}$ millions between 1865 and 1876." (House of Commons Debates, 1879, p. 512.)

Mr. Flynn (Nova Scotia) "This tariff bore more heavily on the Maritimes than on the other Provinces. In the Maritime Provinces, the manufacturing industries were mere trifles compared with Upper Canada, and, in those Provinces, the principal articles of consumption were breadstuffs, which included

flour, corn, cornmeal, rye, etc.; and, in addition, cotton, twills, duck, linens, earthenware, prints, hardware, etc. With regard to breadstuffs, every Legislature since Confederation was opposed to anything like a duty on these articles. It was a most unfair duty, one which taxed one class of the community to build up another section. The Maritime Provinces raised no wheat, ground no flour, and therefore must pay, under this tariff, tribute to the amount of fifty cents a barrel to the Ontario producers." (House of Commons Debates, 1879, pp. 510-512.)

Mr. Burpee (New Brunswick) "They had long had a local trade—called the Bay of Fundy trade—between New Brunswick the western part of Nova Scotia, and the seaports of the American Atlantic coast. The sections of the Dominion referred to had certain products of a bulky and perishable nature, such as sawn lumber, piles, hoop-poles, staves, laths, gypsum, Albertite coal, hay, potatoes, sheeps' pelts, and other articles which could not be profitably sent to any other market. When New Brunswick went into Confederation, it was a stipulation that they should have facilities for inter-colonial trade. They were to have facilities for sending their products in return. The Intercolonial Railway was promised them for a commercial route. The Bay Verte Canal was also promised them to facilitate that trade. The articles he had mentioned were bulky, and some of them perishable, and could not be sent the long distance of 500 or 600 miles around Nova Scotia with profit to the Upper Provinces. But the fact is that the Intercolonial Railway had been built by a military, instead of a commercial route, and he held that, on this, faith had been broken with the people of the city and valley of the St. John River, and this was the first and one of the heaviest blows that had been struck at the prosperity of that city and the surrounding counties. The Bay Verte Canal had not been built at all, and the want of facilities for trade with the Upper Provinces compelled them to look for a market for the products he had named, as before, to the seaports of the American Coast." (House of Commons Debates, 1879, pp. 1060-1061).

Mr. Killam (Nova Scotia) "Very little had been said about the fishermen. What had been done for them, but to tax them. The hon. gentleman said that these fishermen were quite as willing to be taxed as any other class of the community. So they were, but they were not willing to be taxed for everything that they used." (House of Commons Debates, 1879, p. 1162.)

Mr. Anglin (New Brunswick) ". It was the competition of Montreal manufacturers that led to the decline of the manufactures in New Brunswick. The Montreal manufacturers were determined to force their wares on that market. They sent their runners all through the country, into every village and town; and in the city of St. John itself, close beside their factories, shows were opened in which goods manufactured in Montreal were largely sold; and it was in that way that the prosperity of their boot and shoe manufacturers was materially diminished. . . . The manufacturers of the Upper Provinces also

used their markets below as slaughter-markets. . . . The hon. member from the county of St. John had made a very careful calculation as to the amount of merchandise imported into New Brunswick from the Upper Provinces, and he (Mr. Anglin) was astonished to learn that they amounted one year to the enormous sum of \$5,000,000. Although a very large part of this sum was the price of flour—some 250,000 barrels or thereabouts—even deducting the price of flour, there would still remain an amount of over three millions of dollars on which the people of New Brunswick paid duties at Montreal and other ports of the Upper Provinces.” (House of Commons Debates, 1879, p. 1318.)

SUMMARY OF CANADIAN TARIFF POLICY 1879-1933.

As the present section of the argument submitted on behalf of the Government of Nova Scotia is concerned with the general incidence of Canadian tariff policy upon the economic interests of this province, a statement is submitted herewith giving in outline the history of the Canadian tariff since the adoption of the National Policy in 1879. This statement was prepared by Mr. Gilchrist, of the Department of Trade and Commerce, Ottawa, and appears in the Canada Year Book, 1933, an official publication of the Dominion Bureau of Statistics. At a later point in the brief it will be found necessary to refer to particular schedules or items in the Canadian tariff in their effects upon the economic position of Nova Scotia.

THE ECONOMY OF NOVA SCOTIA WITHIN THE FRAMEWORK OF THE NATIONAL POLICY

Having given, in broad outline, a history of the adoption and development of the Canadian tariff, it becomes necessary to consider the relation of this tariff policy, more especially since the adoption of the National Policy in 1879, to the economic position of Nova Scotia. The protective principle was avowedly adopted in the national interest for the purpose of establishing a home market for Canadian producers, and for the development of inter-provincial trade. With such modifications as have been introduced by successive administrations in Ottawa, we are entitled to assume that the protective principle has been retained in the tariff structure of Canada with the same broad objects in view. From 1879 to the present day Nova Scotia has lived within the regime of a protective system. How have its economic interests been influenced by this system to which it has been compelled to accommodate its industrial and commercial life. From an historical standpoint, it is not open to doubt that considerations of imperial interest brought Nova Scotia into Confederation. The authority of an imperial statute compelled her to remain within Confederation against the wishes of the majority of her people, as expressed

by the electorate when the issue was referred to them in 1867. National considerations have been invoked repeatedly in support of the protective tariff which was adopted in 1879 and continued to the present time. Has Nova Scotia gained or lost by its deference to these considerations of imperial and national interests. If as a province it can be demonstrated that she has made more than a reasonable sacrifice of her economic interests for imperial policy and national unity, how can the balance be redressed in accordance with the principle of federal equity. These are the questions which must now be considered in the analysis of economic conditions in Nova Scotia which follows.

CHAPTER IV.

COMPARATIVE DEVELOPMENT OF MANUFACTURING IN THE PROVINCES OF THE DOMINION SINCE THE ADOPTION OF THE NATIONAL POLICY 1879

Since the primary object of a protective tariff is to stimulate the growth of manufactures, it will be useful to indicate the comparative growth of manufacturing in the various provinces, since the introduction of the National Policy in 1879.

(1) HISTORICAL SUMMARY OF STATISTICS OF MANUFACTURES, BY PROVINCES, 1880-1930

(All establishments irrespective of the number of employees)

Province	Estab-lish-ments.	Capital.	Em- ployees.	Salaries and wages.	Cost of materials.	Net value of products.	Gross value of products.
1880	No.	\$	No.	\$	\$	\$	\$
Canada.....	49,722	165,302,623	254,935	59,429,002	179,918,593	129,757,475	309,676,068
P. E. Island.....	1,617	2,085,776	5,767	807,208	1,829,210	1,570,998	3,400,208
Nova Scotia.....	5,493	10,183,060	20,390	4,098,445	10,022,030	8,553,296	18,575,326
New Brunswick.....	3,005	8,425,282	19,922	3,866,011	11,060,842	7,451,816	18,512,658
Quebec.....	15,754	59,216,992	85,673	18,333,162	62,563,967	42,098,291	104,662,258
Ontario.....	23,070	80,950,847	118,308	30,604,031	91,164,156	66,825,714	157,989,870
Manitoba.....	344	1,383,331	1,921	755,507	1,924,821	1,488,205	3,413,026
British Columbia.....	415	2,952,835	2,871	929,213	1,273,816	1,652,968	2,926,784
The Territories.....	24	104,500	83	35,425	79,751	116,187	195,938
1890							
Canada.....	75,964	353,213,000	369,595	100,415,350	250,759,292	219,088,594	469,847,886
P. E. Island.....	2,679	2,911,963	7,910	1,101,620	2,092,067	2,253,843	4,345,910
Nova Scotia.....	10,495	19,730,736	34,944	7,233,111	16,062,479	14,905,913	30,968,392
New Brunswick.....	5,429	15,821,855	26,675	5,970,914	12,501,453	11,348,202	23,849,655
Quebec.....	23,034	116,974,615	116,753	30,461,315	80,712,496	66,747,087	147,459,583
Ontario.....	32,151	175,972,021	166,322	49,730,359	127,737,371	111,504,555	239,241,926
Manitoba.....	1,031	5,684,237	4,403	1,905,981	5,688,151	4,467,031	10,155,182
British Columbia.....	770	14,404,394	11,507	3,586,897	5,119,258	6,880,670	11,999,928
The Territories.....	375	1,713,179	1,081	425,153	846,017	981,293	1,827,310
1890							
Canada.....	14,065		272,033	79,234,311			368,696,723
1900							
Canada.....	14,650	446,916,487	339,173	113,249,350	266,527,858	214,525,517	481,053,375
P. E. Island.....	334	2,081,766	8,804	445,998	1,319,058	1,007,650	2,326,708
Nova Scotia.....	1,188	34,586,416	23,284	5,613,571	13,161,077	10,431,436	23,592,513
New Brunswick.....	919	20,741,170	22,158	5,748,990	10,814,014	10,158,456	20,972,470
Quebec.....	4,845	142,403,407	110,329	36,550,655	86,679,779	71,608,215	158,287,994
Ontario.....	6,543	214,972,275	161,757	56,548,286	138,230,400	103,303,086	241,533,486
Manitoba.....	324	7,539,691	5,219	2,419,549	7,955,504	4,971,935	12,927,439
Alberta and Saskatchewan.....	105	1,639,870	1,168	465,763	1,121,342	843,645	1,964,987
British Columbia.....	392	22,901,892	11,454	5,456,538	7,246,684	12,201,094	19,447,778

(Establishments with five hands and over.)

HISTORICAL SUMMARY OF STATISTICS OF MANUFACTURES, BY PROVINCES, 1880-1930

(All establishments irrespective of the number of employees)

Province	Estab-lish-ments.	Capital.	Em- ployees.	Salaries and wages.	Cost of materials.	Net value of products.	Gross value of products.
1910	No.	\$	No.	\$	\$	\$	\$
Canada.....	19,218	1,247,583,609	515,203	241,008,416	601,509,018	564,466,621	1,165,975,639
P. E. Island.....	442	2,013,365	3,762	531,017	1,816,804	1,319,666	3,136,470
Nova Scotia.....	1,430	79,596,341	28,795	10,628,955	26,058,315	26,647,869	52,706,184
New Brunswick.....	1,158	36,125,012	24,755	8,314,212	18,516,096	16,906,206	35,422,302
Quebec.....	6,584	326,946,925	158,207	69,432,967	184,374,053	166,527,603	350,901,656
Ontario.....	8,001	595,394,608	238,817	117,645,784	297,580,125	282,230,100	579,810,225
Manitoba.....	439	47,941,540	17,325	10,912,866	30,499,829	23,173,780	53,673,609
Saskatchewan.....	173	7,019,951	3,250	1,936,284	2,747,266	3,584,866	6,332,132
Alberta.....	290	29,518,346	6,980	4,365,661	9,998,777	8,790,048	18,788,825
British Columbia.....	651	123,027,521	33,312	17,240,670	29,917,753	35,286,483	65,204,236
1920							
Canada.....	23,351	3,371,940,653	609,586	732,120,585	2,085,271,649	1,686,978,408	3,772,250,057
P. E. Island.....	384	2,734,719	1,327	888,121	4,164,223	2,221,746	6,385,969
Nova Scotia.....	1,388	141,549,856	23,834	26,127,781	85,724,785	63,274,708	148,999,493
New Brunswick.....	928	105,671,688	19,241	19,505,048	60,812,641	46,910,631	107,723,272
Quebec.....	7,677	1,028,226,105	186,308	205,829,155	553,558,520	517,693,125	1,071,251,645
Ontario.....	9,473	1,668,079,488	300,794	369,846,193	1,071,843,374	822,570,783	1,894,414,157
Manitoba.....	773	112,896,616	24,481	33,357,872	92,729,271	65,492,637	158,221,908
Saskatchewan.....	639	31,727,162	7,182	10,249,392	34,894,105	24,655,529	59,549,634
Alberta.....	722	61,063,132	11,387	15,903,609	56,189,646	32,466,428	88,606,074
British Columbia and Yukon.....	1,367	219,991,887	35,132	50,418,414	125,405,084	111,692,821	237,097,905
1930							
Canada.....	24,020	5,203,316,760	644,439	736,092,766	1,666,988,902	1,761,986,726	3,428,970,628
P. E. Island.....	267	3,441,958	2,055	788,106	2,546,827	1,708,139	4,254,966
Nova Scotia.....	1,302	138,671,163	21,069	17,537,690	44,506,178	41,296,743	85,802,921
New Brunswick.....	924	140,611,530	18,422	14,988,441	38,897,264	29,570,998	68,468,262
Quebec.....	7,410	1,727,064,838	204,802	216,385,675	462,244,278	560,036,409	1,022,280,687
Ontario.....	9,888	2,431,369,848	307,477	370,781,452	836,666,780	876,358,542	1,713,025,322
Manitoba.....	937	188,413,164	26,488	33,941,235	74,761,265	67,668,725	142,424,990
Saskatchewan.....	750	65,486,140	7,248	9,229,593	35,603,157	26,668,609	62,276,766
Alberta.....	845	109,930,271	14,099	17,092,038	53,621,884	40,692,898	94,314,782
British Columbia and Yukon.....	1,697	403,328,298	42,779	54,398,541	128,131,269	117,990,663	241,121,932

When the above table is examined it will be seen that in the first decade, 1880-1890, Nova Scotia evidently maintained about the same pace of growth as the other provinces, in respect of number of establishments, number of employees, and value of products. In the additional investment of capital, however, the provinces of Ontario and Quebec exceeded the rate of increase in Nova Scotia, though not by a very substantial margin.

From 1900 onwards, the relative position of manufacturing in the several provinces suggests a significant change. It should be noted here that the statistics for 1890 and 1900 are not strictly comparable because of the different classification adopted in 1900 for the collection of information on manufactures. In the former year the return was based upon information received from all establishments irrespective of the number of employees. For 1900 and 1910 the statistics given apply only to establishments with five hands and over. In the decade 1900-1910, for which the figures are comparable, there is a noticeable shift in the relative position of manufacturing in the several provinces which becomes more clearly defined in the succeeding decades. In the period 1900-1910, the provinces of Ontario and Quebec show a striking increase along the entire front of manufacturing activity. Their capital investment in manufacturing was more than doubled. The value of manufactured products was more than doubled. Total wage and salaries disbursed were more than doubled. The number of employees engaged in manufacturing in the two provinces combined, rose from 272,080 in 1900, to 397,021 in 1910 or by 45%.

In Nova Scotia and the other Maritime Provinces, there was also an improvement in this period of rapid expansion, but the proportionate growth was considerably below that of the central provinces of Ontario and Quebec. In Nova Scotia, capital investment in manufacturing was more than doubled, and the value of the product was more than doubled, but the number of employees engaged in manufacturing increased only from 23,284 to 28,795, or by 23%.

From 1910 onwards, the concentration of manufacturing in Ontario and Quebec (Central Canada) is much more noticeable. Unfortunately, the figures for 1910 and 1920 are not strictly comparable, owing to the adoption of a new classification by the Bureau of Statistics. The figures for 1920, and later years, are for all establishments, irrespective of the number of employees, but the group of "construction, hand trades, and repairs" is excluded from the classification of manufacturing establishments. With this qualification acknowledged, however, it will be noticed that in the decade 1910-1920, the manufacturing progress of Ontario and Quebec is revealed in a striking manner. In these two provinces combined, the capital investment in manufacturing rose from \$922,000,000 to \$2,696,000,000 in round figures; the number of employees from 397,000 to 487,000; and the gross value of the products from \$930,000,000 to \$2,965,000,000.

In the same period the capital investment in manufactures in Nova Scotia rose from \$80,000,000 to \$112,000,000; the gross value of the product from

\$53,000,000 to \$118,000,000; but the number of employees engaged in manufacturing actually decreased from 29,000 to 24,000, despite the broader classification adopted in 1920.

Finally, in the last decade, 1920-1930, the decline of manufacturing in Nova Scotia became more pronounced. In Ontario and Quebec (Central Canada) capital invested in manufacturing increased from \$2,696,000,000 to \$4,158,000,000; the number of employees increased from 487,000 to 512,000; while the gross value of products decreased slightly, from \$2,965,000,000 to \$2,735,000,000.

In Nova Scotia during the same period, the capital invested in manufacturing decreased from \$142,000,000 to \$130,000,000; the number of employees decreased from 24,000 to 21,000, and the gross value of products from \$148,000,000 to \$86,000,000.

This tabulation and comparison of manufacturing statistics, 1880-1930, brings out very clearly the changing regional, or provincial, distribution of manufacturing under the encouragement of the protective tariff. The sharp relative increase in the manufacturing activity of the central provinces is related in point of time, to the great period of western expansion following the completion of the Canadian Pacific Railway, and the aggressive immigration policies of the period 1900-1910, together with the further railroad expansion which marked this great period of western colonization. In this brief span of years, the population of Western Canada was almost trebled, increasing from 600,000 in 1901 to 1,720,000 in 1911. This rapidly expanding market gave an extraordinary stimulus to the established manufacturing industries of the east. The industries of the Maritime Provinces participated in this market only during the period when manufacturers of Ontario and Quebec were unable to meet this rapidly growing demand of new settlement and railroad construction. But the period of active participation by the manufacturers of the Maritime Provinces in the Western market was of short duration. The geography of the Dominion and the distribution of its population along a somewhat narrow corridor of settled territory, running east and west, with the greatest density of population at the centre, made it inevitable that a trade policy designed to encourage production for the home market would accentuate the geographical advantages of the central portion of the Dominion in supplying the needs of eastern and western Canada. The result has been a progressive concentration of manufacturing activity in the central provinces of Ontario and Quebec. The present extent of this concentration is indicated by the following information given by the Dominion Bureau of Statistics:

"Ontario and Quebec are the most important manufacturing provinces of Canada. Their combined production in 1930 amounted to \$2,735,000,000, or nearly 80% of the gross value of manufactured products of the Dominion," (Canada Year Book, 1933, p. 441.)

"Ontario and Quebec account for almost 80% of the total capital invested in manufacturing in Canada." (Canada Year Book, 1933, p. 441.)

"Out of the total male wage-earners, numbering 431,463, and the total female numbering 120,033, 47.1% of the former and 46.2% of the latter were employed in Ontario. Quebec manufacturers reported 30.4% of the total males as compared with 39.6% of the total females. As to earnings, Ontario firms paid out 49.5% of the total wages in Canada, and Quebec 29.8%." (Canada Year Book, 1933, p. 451.)

In the western provinces of Manitoba, Saskatchewan, and Alberta, manufacturing is definitely increasing in directions where these provinces have distinct advantages in natural resources, as, for example, in the meat-packing and milling industries.

Employees of Manufacturing Industries

	Manitoba	Alberta	Saskatchewan
1900*	5,219	(1905) 1,983	1,376
1910*	17,325	6,980	3,250
1920	24,481	11,387	7,182
1930	26,488	14,099	7,248

*Include only establishments with five hands or over.

There has also been a marked development of manufacturing activity in British Columbia, which has a unique advantage in relation to Oriental and Australasian markets.

Employees of Manufacturing Industries

British Columbia

1900*	11,454
1910*	33,312
1920	35,132
1930	42,779

*Includes only establishments with five hands or over.

In the Maritime Provinces, however, there has been no striking expansion of old industries or compensating development of new manufactures. The expansion which may be noted elsewhere in the Dominion is not duplicated in the Maritime Provinces. Here there has been an actual retrogression of manufacturing activity:

Employees of Manufacturing Industries

	Nova Scotia	New Brunswick	P. E. Island
1900*	23,754	22,158	3,804
1910*	28,795	24,755	3,762
1920	23,834	19,241	1,327
1930	21,069	18,422	2,055

*Figures for 1900 and 1910 include only establishments with five hands or more.

The decline of manufacturing in Nova Scotia is also indicated by comparative figures for the period which elapsed since the federation of the Province in 1867.

	Nova Scotia		Canada	
	Employees of Manufacturing Industries	Value of Product	Employees of Manufacturing Industries	Value of Product
1871	15,595	\$18,575,326	187,942	\$309,676,068
1931	16,175	70,679,503	557,426	2,698,461,862

In the statistical study of the Maritime Provinces since Confederation, published by the Dominion Bureau of Statistics in 1926, the situation is described in these words:

"It will be seen that while manufacturing has increased in Canada as a whole by, say, twelve times since Confederation, the increase in the Maritimes has been about four times." (P. 76.)

This comparison made in 1926 was on the basis of the total value of the products. On the basis of number of employees the evidence is even more conclusive.

Between 1871 and 1931 the number of employees in manufacturing in Nova Scotia increased by only 580, or by 3.7%. In the same period the number of employees in manufacturing in Canada as a whole increased from 187,942, to 557,426, or by 197%.

But the relative failure of manufacturing in Nova Scotia has been even greater than is indicated by these statistics. The breadth of the classifications of manufactures, adopted by the Bureau of Statistics, has permitted the inclusion of small saw-mills, fish canneries, printing establishments, laundries, etc., regardless of the number of employees. These small industries form a much larger proportion of the total of manufacturing establishments in Nova Scotia than in the larger provinces. In contrast to the prevalence of these small establishments in the Maritime Provinces, the growth of manufacturing in Ontario and Quebec, since the turn of the century, has been marked by the establishment of factories conducting large scale operations and producing such commodities as automobiles, radios, electrical appliances, iron and steel ware, machinery, textiles, etc. Similarly, under the encouragement of the tariff, many branch factories of large concerns in the United States and Great Britain have been established in Central Canada. This development of manufacturing has not extended to the Maritime Provinces, and has, in fact, tended to raise the prices of goods formerly imported direct from these countries.

In order to indicate more clearly the trend of manufacturing in Nova Scotia during the period 1880-1930, the following table recapitulates a summary of statistics of manufacturing in this province by decades:

HISTORICAL SUMMARY OF STATISTICS OF MANUFACTURES, 1880-1930

PROVINCE OF NOVA SCOTIA

Year	Estab- lish ments.	Capital.	Em- ployees.	Salaries and Wages.	Cost of Materials.	Net Value of Products.	Gross Value of Products.
1880	5,493	10,183,060	20,390	4,098,445	10,022,030	8,553,296	18,575,326
1890	10,495	19,730,736	34,944	7,233,111	16,062,479	14,905,913	30,968,392
1900	1,188	34,586,416	23,284	5,613,571	13,161,077	10,431,436	23,592,513
1910	1,480	79,596,341	28,795	10,628,955	26,058,315	26,647,869	52,706,184
1920	1,388	141,549,856	23,834	26,127,781	85,724,785	63,274,708	148,999,493
1930	1,302	133,671,163	21,069	17,537,690	44,506,178	41,296,743	85,802,921

In presenting this survey it is not suggested that the flight of manufacturing industries from one district to another is confined to Nova Scotia or the Maritime Provinces. It is a characteristic of an economic age which has been dominated by the competitive urge to greater efficiency and higher productivity. Within the Province of Ontario, for example, there has been a movement of factories from small towns and cities to the large centres of population at Toronto, Hamilton, Kitchener, London, etc. It is submitted, however, that in the latter case the transference is one which is less painful in its consequences, and results in no permanent loss to the provincial economy. In the movement of manufacturing activity out of the Maritime Provinces, there has been an incalculable loss to investors and employees alike, and a loss as well to the provincial economy which cannot be estimated by material standards alone.

INDIRECT EFFECTS OF THE DECLINE OF MANUFACTURING IN NOVA SCOTIA

It may be urged that the trend of manufacturing away from Nova Scotia and the Maritime Provinces has been due to the natural operation of geographical specialization and the principle of comparative advantage, and that this province has participated fully in the benefits accruing from the concentration of Canadian manufacturing in Ontario and Quebec.

It is asserted as a general principle that industries in Ontario and Quebec have natural advantages of situation in relation to raw material, labor force, and markets which enable them to take full advantage of the so-called economies of large-scale production. We are asked to believe that these economies of large-scale production will enable an industry to protect itself more adequately from foreign competition,

and are passed on to the consumer, either in part or in full, through lower prices made possible by the lowered cost per unit of the commodity manufactured. Whether such economies are thus passed on to the consumer in many cases is open to grave doubt. It will depend on the reality of internal competition, and the Canadian industrial field is still so narrow as to raise serious misgivings as to the extent of true competition in many lines of manufacturing. The existence of monopoly, trade combines, and friendly price agreements within the shelter of a protective tariff, is not always capable of positive proof, but that it exists over a considerable range of manufacturing is scarcely open to question. Undoubtedly, a substantial proportion of the economies of large scale production are not passed on to the consumer, but render possible a higher margin of profit for the industry and go into the safety deposit boxes of company promoters or the pockets of shareholders. Certainly the proportion of benefit that is returned to the people of this province is not substantial.

The gains of large-scale production in Central Canada, which have been accompanied by a decline of manufacturing in Nova Scotia, are gains which are seldom distributed over the entire country. On the contrary, the real benefits would appear to accrue very largely to the region or province where the large-scale operations are conducted. Large industries usually sustain a number of smaller auxiliary industries. A car manufacturing plant in Nova Scotia affords employment to foundries, lumbermen, iron and steel plants, coal miners, woodworkers, and paint factories; to note only a few of the products that would enter into the building of freight, refrigeration, and passenger cars. When such an industry is removed from the province, or closed down, the effect of the stoppage is communicated at once to these subsidiary industries. The plant established in Montreal or Toronto will not draw its supplies from Nova Scotia, but from its immediate neighborhood. In the same manner, the closing down of boot and shoe factories means the loss of a readily accessible market for tanners and stock-raisers in Nova Scotia, and so with many other manufacturing establishments which formerly supplied a market for raw material and products of auxiliary industries within the province.

DETAILED SURVEY OF THE DECLINE OF MANUFACTURING IN NOVA SCOTIA, 1900-1933

In order to obtain from local sources of information a record of manufacturing in Nova Scotia, 1900-1933, a Questionnaire was addressed to the Town Clerks of Incorporated Cities and Towns throughout the Province. This Questionnaire was in the following form:

1. (a) What manufacturing industries (employing five hands or more) were operating in your community in the years 1901, 1910, 1921 and 1931 respectively?

- (b) What products did they manufacture?
- 2. What was the average number of employees in each of these industries in the years specified?
- 3. (a) What industries to your knowledge have been closed down or removed from your community since 1900?
- (b) What reasons are given for the close-down or removal in each case?
- 4. (a) What industries are established in your community at the present time?
- (b) What products do they manufacture?
- (c) What is their average working force in each case?
- 5. To what extent (estimated) has your community suffered a loss of tax revenue because of the disappearance of industries formerly established?
- 6. To what extent has your community suffered a loss of population for the above reason?

The information received in response to this Questionnaire affords interesting evidence of the trend of manufacturing activity on Nova Scotia. It is subject, of course, to the defects common to all questionnaires in that the answers given are not strictly uniform, and are based, no doubt, in part upon inadequate information, especially for the earlier years of the period under review. At the same time, the answers were given in considerable detail and there is no reason to question their general accuracy as to the facts. A compilation of the information received in answer to this Questionnaire will be found in the Appendix A. An analysis of this information reveals that in the period 1900-1933, covered by the inquiry, more than two hundred manufacturing industries have passed out of existence in Nova Scotia. Some of these, it is true, were of small dimensions, but a very considerable number were organized to conduct operations on a fairly large scale. It has not been possible to estimate the loss of invested capital and opportunities of employment resulting from the closing of these factories. It is quite evident, however, that the loss under both of these headings has been a very substantial one. Some of the products manufactured by these factories were as follows: Automobiles, pianos, gramophones, cloth, blankets, boots and shoes, larrigans, builders' supplies, skis and sleds, carriages, boats, glue, fertilizer, soap, cocoa, chocolate, canned fruits and vegetables, furniture, machinery, stoves, castings, and other iron and steel products.

One of the questions on the Questionnaire asked for the reasons given for the close-down or removal of factories. This question allowed considerable latitude

for the expression of individual opinion, and some of the answers given would have to be corrected, no doubt, on further investigation, assuming the facts were available. It is noteworthy that in no single case was lack of tariff protection given as the reason for the failure of a particular industrial establishment. On the other hand, in many cases it was alleged that particular establishments had been closed down or removed owing to internal competition and the centralization of manufacturing in Ontario and Quebec.

Another question on the Questionnaire asked for an estimate (1) of the loss suffered by the community in tax revenue because of the disappearance of industries formerly established; (2) loss of population suffered by the community through closing or removal of industries. The answers given to these questions cannot be regarded as an accurate statement of the true situation. At the same time they do afford useful information as to the effect of the decline of manufacturing in Nova Scotia on the population of towns and cities and upon revenue collected by such municipalities. They reveal a very substantial loss of population as well as a substantial contraction of municipal revenues, due to the failure of manufacturing establishments and the loss of population resulting therefrom.

The information received in answer to this Questionnaire affords abundant confirmation of the conclusions drawn from the statistical analysis of the comparative development of manufacturing in the provinces of the Dominion since the adoption of the National Policy in 1879. Whatever stimulus the National Policy may have given to the progress of manufacturing in other provinces, the fact remains that in Nova Scotia the continuance of that policy has been accompanied by a gradual but persistent decline of manufacturing activity.

CHAPTER V.

DESCRIPTIVE SURVEY OF THE PRIMARY RESOURCES OF NOVA SCOTIA.

Before proceeding to analyze the development of primary production in Nova Scotia during the period of the National Policy, it may be useful to indicate briefly the extent and character of the primary resources of the provinces. The information under this head which follows has been supplied by the appropriate departments of the Provincial Government.

General Agriculture

Out of a total land area of 13,483,520 acres, 31.91% or 4,164,170 acres is, according to the Census of 1931, occupied by Nova Scotia farmers. The balance consists of forest, moorland, barrens, bog, etc. Part of this could be cultivated but the cost of clearing would be such that there is little likelihood of more being occupied by farmers unless the day comes when the urban or consuming population is on a par with that of European countries.

This 4,164,170 acres comprises 844,632 under the plough and 866,500 acres in cleared pasture. The balance is farmers' woodland.

The part of the table quoted from the Canada Census of Agriculture "Total Number of Farms, etc." published in 1932, sets forth the acreage for 1921 and 1931:

Total Acreage	Acreage occupied by Farms	Acreage improved or arable land	No. Farms	Pasture
1931-13,483,520	4,164,170	844,632	39,446	866,500
1921-13,483,520	4,628,398	992,467	47,482	955,030

Classification of Farms:

Economically the farms of Nova Scotia may be classified: (1) Farms with a moderately large to large arable acreage. These are found mainly (a) in areas adjoining the head waters of the Bay of Fundy as in Cumberland, Colchester, Hants and Kings Counties. (b) In the North Shore area, from the New Brunswick border to Cape George, Antigonish County, and including parts of Inverness County in Cape Breton. This area extends inland varying distances from ten to fifty miles. (c) Scattered locations all over the province but particularly those adjoining rivers and streams such as the Musquodoboit, Stewiacke and South River Valleys, the New Germany district in Lunenburg County, North Queens, etc.

These farms are mainly adapted to general farming and are capable of producing sufficient feed to maintain reasonably large herds of stock and are for the most part capable of being operated without the necessity of buying large quantities of feed.

(2) Farms adjoining towns and cities, such as those in the vicinity of the Sydneys, Dartmouth, etc. These are mainly small farms with limited arable acreage. But by virtue of the access to nearby markets, farmers can carry on market gardening, the selling of fluid milk, etc., and so long as these local markets are good, often derive larger profits than farmers on the more favored lands described under (1).

(3) Farms of comparatively small arable acreage, frequently containing rocky and hilly ground somewhat remote from consuming centres. Such farms for the most part would be termed by American economists as "Marginal Farms". The acreage is not large enough to afford a substantial income from dairying or cattle feeding, but on some of these farms fairly good incomes are made when opportunity is afforded to produce and sell such cash crops as eggs, potatoes and vegetables. Opportunities on these farms would be greatly increased if there were more centres of industry in the province in which the farmers could sell these cash crops. Without such an opportunity it is difficult to see how these farms can be anything more than "sustenance farms". The remaining opportunity for farmers on such land consists in employment in the lumber woods or at fishing, mining or working on the roads.

(4) The orchard lands of the Annapolis Valley, with small areas in Lunenburg, Queens, etc. For the most part these are considered as favored areas. Apples are produced at least as economically as in any other part of the world and the operators are able to sell, year in and year out, on the British and other export markets in competition with competitors from all parts of the world. As a matter of fact, apples are the only product of the soil which Nova Scotia has thus far sold continuously in large quantities in the export markets. While there are numerous local problems to be solved, it seems entirely safe to state that orcharding in Nova Scotia should be able to continue in competition with orcharding in any other part of the world.

The most important single factor entering into the possibility of a prosperous agriculture is soil fertility. A small percentage of farms situated in close proximity to consuming centres may be farmed profitably, even if lacking in soil fertility, because of the opportunity to obtain higher than average prices for the products of the farm. But, when it is not possible to obtain better than average world prices, soil fertility is the major physical factor which enters into the possibility of a successful agriculture. Soil fertility, in turn, is based upon the actual plant food contained in the soil, the physical texture and drainage of the soil, and upon the methods of cultivation adopted. All of these factors are so important that farms cannot be classified on a basis of any one of them. But, the statement made by

Hopkins in "Soil Fertility and Permanent Agriculture", (p. 150), may be adopted as a pretty sound guide. He writes, "In general there is very distinct correlation between the composition of soil types and their natural productiveness."

Numerous chemical analyses of Nova Scotia soils have been made by the Provincial Chemist at the Agricultural College and by the Dominion Chemist at Ottawa. Similar analyses of soils are available from many countries of the world. The methods of analyses adopted are not uniform and one must be familiar with these methods before making comparisons between the chemical analyses of soils in various countries of the world.

The important soil elements which enter into the growth of plants are nitrogen, phosphoric acid, potash, and calcium. The reported analyses give, in all cases, the total amount of nitrogen, but different methods of determination have been used for the other elements. With this explanation, the figures upon which the following estimate of the fertility of Nova Scotia soils is based are taken from analyses which report the acid soluble percentages of phosphoric acid, potash, and calcium. To serve as a standard of comparison, the following table is presented containing the percentages of plant food which, according to an English agricultural chemist, Warrington, and an American agricultural chemist, Snyder, represent the percentages in good arable soils:

Soils	Acid soluble			
	N.	P ₂ O ₅	K ₂ O	CaO
Good, arable, Warrington (Eng.)	.15	.15	.20	.30
" " Snyder (U. S.)	.20	.15	.30	.30

There will be found in successive reports of the Department of Agriculture, dating from the year 1912, numerous analyses of soils from all counties of the province of Nova Scotia, the figures of which are comparable with those given in the above table. In some of the later reports will be found a statement of the percentages of available elements. However, only a limited number of analyses have been made and, hence, these figures are not included in the following statements:

Selected Analyses—Nova Scotia Soils

Soil	Acid soluble			
	N.	P ₂ O ₅	K ₂ O	CaO
Average, 5 soils, Stewiacke and Musquodoboit (1913) . . . . .	.18	.18	.3	.17
" 10 upland and intervale soils (1913) . . . . .	.25	.16	.34	.3
" 16 marsh soils (1913) . . . . .	.18	.15	.75	.75
" Grain plots, Nappan Station (Shutt, 1930) . . . . .	.147	.116	.204	.218
" 4 cultivated plots (College, Truro, 1914) . . . . .	.192	.14	.193	.275

Productive upland, Mabou, (Harlow's letter, 1934).....	.19	.22	.48	.3
“ upland, New Germany (Harlow's letter, 1934).....	.28	.19	.27	.3
“ upland, Antigonish (Harlow's letter, 1934).....	.34	.19	.26	.27

(Some low fertility soils)

Soil	Acid soluble			
	N.	P ₂ O ₅	K ₂ O	Cao
McNutt farm, Truro (1919).....	.08	.16	.26	.6
“ “ “ “ .....	.13	.19	.27	.9
Pasture land, East Mountain, long cropped (Harlow letter 1934).....	.03	.1	.7	.15
Pasture land Musquodoboit, long cropped (Harlow letter 1934).....	.85	.12	....	.15
Bailey's Brook, long cropped (Harlow letter 1934).....	.12	.13	....	.4
Masstown pasture, long cropped (1926).....	.08	.12	.7	.3

(Comparative Analyses from other Provinces—by Shutt)

Soil	Acid soluble			
	N.	P ₂ O ₅	K ₂ O	Cao
P. E. I. Average 25 soils, manured (Shutt, 1928).....	.167	.106	.192	.160
P. E. I. Maximum soil, manured (Shutt, 1928) .	.203	.177	.366	.419
P. E. I. Maximum soil, not manured (Shutt, 1928).....	.160	.054	.192	.028
Manitoba, av. 8 soils (Shutt, 1923).....	.546	.175	.62	.789
Saskatchewan, av. 11 soils (Shutt, 1923).....	.417	.22	.586	1.64
Alberta, av. 9 soils (Shutt, 1923).....	.465	.178	.458	.85
Ontario, av. 8. soils (Harcourt's letter, Jan. 1934).....	.241	.242	....	2.62
Nova Scotia average good upland and intervale soils (Estimate Harlow, Prov. Chemist).....	.2	.15	.25	.25

Prof. Harlow, Chemist at the Nova Scotia Agricultural College, has analysed several hundred samples of Nova Scotia soils. In his judgment, about two-thirds of the farm soils of Nova Scotia are of from average to good fertility. About one-third are below average fertility.

Comparing the figures in the foregoing table, it will be observed that, leaving out the Nova Scotia soils which are classified as of low fertility, the good soils average somewhat higher in fertility than those of Prince Edward Island, especially in

phosphoric acid and potash. They are, on the whole, somewhat above the average for the world. At the same time, they are distinctly lower than the soils of the Western Prairie Provinces which are among the richest in the world. To offset this disadvantage, Nova Scotia farmers are favored by much more precipitation than the Western farmers and as a result can depend upon crop production year in and year out without marked seasonal failures as confront Western farmers.

Mineral Resources

Occurrences of minerals in Nova Scotia are mentioned below in alphabetical order:

ARSENOPYRITE. This mineral is of common occurrence in Nova Scotia, being found as a constituent of the ore in practically all the gold mining districts of the Province.

BARYTES. A deposit of Barytes exists near Lake Ainslie in Cape Breton Island. Veins are as much as 14 feet wide and are in a red felsitic rock. Barytes also occurs at Cheticamp, Inverness County, and in Colchester and Hants Counties.

COMMERCIAL CLAYS. Surface clays in commercial quantities are found near Bridgetown, Annapolis County; Pugwash, Cumberland County; New Glasgow, Pictou County; Lantz Siding and Avonport in Hants County; and Mira, Cape Breton County. Shales suitable for face brick, fire brick and terra cotta are associated with the coal beds of Pictou County. A large bed of Kaolinized rock exists near Middleton, Annapolis County. Clays of the Musquodoboit Valley and of Shubenacadie are of value for stoneware, stove linings and fire brick.

COAL. The Sydney or Cape Breton Field is the chief producer, the output usually amounting to 70 percent of the total for Eastern Canada. The Inverness Field comprises a series of separated narrow areas extending for a distance of 60 miles along the west coast of Cape Breton Island, and reaching inland for a few miles. The western continuation of the field is submarine. The Pictou Field is situated in the centre of Pictou County, about 9 miles from the shore of Northumberland Strait. This area is about 12 feet by 3 miles, and for the most part is bounded by large block faults. There are about 13 seams over $3\frac{1}{2}$ feet thick; the Main or Foord seam approaches 40 feet in thickness. In this field there are numerous beds of oil shale which have received attention. Some of these beds contain upwards of 80 gallons of oil per ton of shale. The Cumberland Field really consists of two fields, Joggins and Springhill. The Joggins field is a narrow area, 22 miles long, containing innumerable small seams of coal, 4 or 5 of which are workable. Dips range from 19 to 50 degrees. The Springhill field is an irregular area showing an aggregate of 49 feet of workable coal. The seams dip steeply to the west, where coal formations become concealed under overlying rocks.

In Nova Scotia, where systematic mining has been carried on for over a century, the coal industry is on a permanent basis. Towns have been built up, new industries and manufacturing plants have been established and railways have been built in connection with the mines, thus bringing a vast amount of capital into the country and providing employment for thousands of men. The mines are fitted out in a modern and substantial manner with steel head-frames and tipples, concrete shaft bottoms and steel supported entries, and electricity is used to a great extent. Machinery and equipment is installed in big units for the economic handling of large outputs, and operations are carried on with an efficiency that rivals the best practice in any country. Most of the seams show at the surface and are opened up by inclined tunnels or slopes, some of which are more than 2 miles long.

The area to be mined is divided into sections by "levels" and "deeps", and the coal is extracted by the room and pillar method. In the submarine workings, until a rock of over 700 feet is attained, the extraction of only 40 to 50 percent of the coal is possible. The deeper seams are reached by vertical shafts and developed in a similar manner. The long wall method of mining with mechanical conveyors is being used to an increasing extent for the thinner seams and deepest workings. Horses and electric locomotives are used for haulage on the levels. Rope haulage is employed in the slopes. Surface treatment of the coal consists of screening, picking and loading, with some washing of slack coal used for the manufacture of metallurgical coke. A considerable amount of coal is banked during the winter when the St. Lawrence markets are not available on account of the river freezing. These banks are shipped in the spring.

The coal reserves for the different fields in Nova Scotia as estimated by the Geological Survey of Canada in 1915, are given in the following table:

Coal Fields	Long Tons
Sydney.....	5,091,368,000
Inverness.....	242,800,000
Pictou.....	840,440,000
Cumberland.....	932,000,000
Other Occurrences.....	33,360,000
Total.....	7,139,968,000

COPPER. Copper has been recovered from complex sulphide ore at the Stirling Mine in Cape Breton Island. There is also a copper deposit at Coxheath, Cape Breton County.

DIATOMITE. Diatomite occurs in Pictou, Colchester and Cumberland Counties, near Bear River and on Digby Neck in Digby County, and elsewhere in the province. A few of these deposits contain comparatively large depths of diatomaceous mud, which contain only 4 to 8 per cent of impurities after calcination.

GOLD. The gold fields of Nova Scotia occupy that half of the mainland of the province lying along the Atlantic coast and extending the full length of the peninsula from Canso to Yarmouth. The extreme length of the area is about 275 miles and the width varies from 10 miles at the eastern end to 40 miles measured along a line from Tangier to Stewiacke, and 75 miles at the western end measured along a line from Digby to Lockeport. In all it occupies about 10,000 square miles or nearly half the entire area of the province. Of the total area covered by the gold fields, about 4,000 square miles is underlain by granite and the remainder or 6,000 square miles by the true gold bearing series. Nova Scotia possesses a large number of gold lodes in quartzites and slates of pre-Cambrian age. In places these yield rich ore.

The industry has been carried on irregularly since 1862 and has made a total production of little short of \$20,000,000. The largest annual recovery, \$622,080, was made in 1898. Several of the gold mines have been recently re-opened. There is renewed interest in gold mining and further activity is expected. Old mills have been repaired, shafts de-watered, development work extended, and today some of these mills are producing gold successfully. On other properties new mills are being erected and will shortly be in production.

GRANITE. Grey granite suitable for monumental and ornamental purposes is found in quantities at Nictaux, Annapolis County, Shelburne and Doctor's Cove, Shelburne County, Queensport, Guysboro County, and in Cape Breton. A large area of granite is also found near Halifax, which furnishes a good building stone.

GYP SUM. The chief producing centre is at Windsor. The gypsum area here covers 147 square miles and contains innumerable exposures of gypsum in cliffs up to 150 feet in height. It is from this district that the United States Gypsum Company, the largest producers of gypsum products in the world, obtain their high-grade material. Important deposits of gypsum also exist at Antigonish and on Cape Breton Island. In all there are approximately 52 distinct gypsiferous areas covering 627 square miles.

IRON ORES. Magnetite, Hematite, Bog iron and carbonate ores occur to a limited extent in Colchester, Annapolis and Pictou Counties. Nova Scotian iron ores have been superseded by Newfoundland ores, which can be more cheaply mined and which are now the basis of the iron and steel industry at Sydney, Cape Breton.

ZINC AND LEAD. A deposit of zinc and lead ore known as the Stirling Mine, on the south coast of Cape Breton Island, has been partially developed. It is a replacement deposit in volcanic rocks. The ore is of favourable grade and gives promise of quantity. Deposits of galena also occur at Glenbervie and Smithfield, Colchester County.

OCHRE. There are several deposits of ochre in Nova Scotia, including those at Ardoise, Hants County, and Beach Hill, Kings County, 2 miles south of Kentville.

SALT. At Malagash, Nova Scotia, salt deposits have been developed within recent years. The beds here are for the most part pure salt and a large proportion can be used directly as mined without further treatment. The Malagash salt beds contain approximately 60 million tons of pure salt, and it is estimated that there is an additional 300 million tons of lower grade material that can be utilized in making pure salt. Potash zones have been penetrated at two points thirty feet apart in this deposit, varying in thickness from a few inches to five feet. The potash content, however, is variable.

SILICA. Beds of quartzite suitable for silica brick manufacture are found, especially in Cape Breton Island. Those along Leitches Creek are being worked by the Dominion Iron and Steel Company, and one occurrence near Whycocomagh has received some attention. Silica sand suitable for moulding purposes is shipped from River Denys, Inverness County.

SLATE. In Nova Scotia the slate division of the Cambrian formation occupies an extensive area. An area 18 miles square south of Kentville and Wolfville contains massive beds of this slate. Other areas occur at Gore, Hants County, and at Beaverbank Station.

LIMESTONE of high quality is quarried at Pt. Edward, Cape Breton County, for the open hearths at Sydney. It is also quarried at Pugwash, Cumberland County Iron Rock, Pictou County, and Windsor, Hants County, for agricultural purposes.

DOLOMITE at George's River, Cape Breton County, is quarried and shipped to the Sydney Steel Plant.

Forest Resources

The forest is one of the main sources of living for the people in the country districts in the Province of Nova Scotia. It gives employment to a large number of men in the woods during the winter when work is more or less slack on the farm and in the fisheries. The logging is chiefly done in the winter months; the sawing, in portable mills, is done in the early summer.

Topographically Nova Scotia is well formed for the carrying on of intensive forest operations. It is long and narrow and well provided with roads. Every part of the province can be reached by railroads or motor trucks. Through the whole country the forests are interspersed with small settlements, where the population subsist through farming or fishing in the summer and lumbering in the winter. Trained labor for the woods can be found everywhere. These scattered settlements afford an added advantage in the prevention of forest fires.

The Forest

The composition of the forests in Nova Scotia varies mainly according to differences of soil, climatic conditions being negligible. The forest is of a mixed type—conifers and deciduous trees grading off to pure stands of conifers in mixture or

pure stands of mixed hardwoods. Pure stands of a single species are rare and never of large extent, with the exception of the fir forests of Cape Breton which are the result of climatic and soil conditions.

The most important tree species in the forests of the province are softwood-Spruce, Balsam Fir, Red and White Pine and Hemlock. The merchantable hardwood species are Yellow and White Birch, Maple, Red Oak, White Ash and Poplar.

Area and Volume

Nova Scotia is essentially a forest country. Seventy-one percent of the total area, or 9,779,000 acres, is covered with forests. Of the total forest area, 3,541,000 acres or 36.2 percent is softwood; 1,240,000 acres or 12.7 percent is hardwood; 1,459,000 acres or 14.9 percent is cut-over; 1,406,000 acres or 14.4 percent is second growth, and the remaining 2,132,000 acres or 21.8 percent is barren, either natural or caused by fire. The softwood area contains approximately 14,993,280,000 board feet, the hardwood 3,551,232,240 board feet, the cut-over 1,130,880,000 board feet of softwood and 470,455,200 board feet of hardwood. The second growth area contains approximately 1,083,000,000 board feet of softwood and 428,430,240 board feet of hardwood. This makes a total of 17,207,160,000 board feet of softwood and 4,450,117,680 board feet of hardwood or a grand total of 21,657,277,680 board feet of wood. This measurement is standing timber and is Feet Board Measure. In the following table the amounts are for the different tree species and their uses:

SAW MATERIAL			PULPWOOD, FUELWOOD, ETC.			
10 inches and over D. B. H. (Diameter Breast High)			4-9 inches D. B. H.		TOTAL	TOTAL
	Million Feet B.M.	Equivalent in Standing Timber 1000 cu. ft.	1000 cords	Equivalent in Standing Timber 1000 cu. ft.	Equivalent in Standing Timber 1000 cu. ft.	Equivalent in Standing Timber 1000 cu. ft.
Softwood						
White Pine.....	457	100,000	385	45,000	145,000	661,200
Red Pine.....	205	45,000	154	18,000	63,000	287,280
Jack Pine.....	....	.....	26	3,000	3,000	13,680
Spruce.....	2714	595,110	6705	784,454	1,379,564	6,290,812
Balsam.....	789	172,928	15641	1,830,008	2,002,936	9,133,388
Hemlock.....	684	150,000	256	30,000	180,000	820,800
Total.....	4849	1,063,038	23167	2,710,462	3,773,500	17,207,160
Hardwood						
Yellow Birch.....	893	195,744	2182	207,317	403,061	1,837,958
White Birch.....	223	48,936	1260	119,669	168,605	768,839
Maple.....	446	97,872	1429	135,735	233,607	1,065,248
Ash.....	22	4,894	82	7,822	12,716	57,985
Oak.....	45	9,787	462	43,879	53,666	244,717
Aspen.....	112	24,468	840	79,780	104,248	475,371
Total.....	1741	381,701	6255	594,202	975,903	4,450,118
GRAND TOTAL....	6590	1,444,739	29422	2,304,664	4,749,403	21,657,278

Nova Scotia is the only province in the Dominion where the distribution of Age Classes in the forests is nearly perfect. The other provinces are, to a great extent, covered with either large over-mature stands which are yearly depreciating, due to age, or with large fire barrens which, due to less favorable climate and soil conditions, are reforesting very slowly.

Crown Land

Owing to its maritime position, the relative accessibility of all parts of the province and the consequent availability of timber products for sea-borne traffic to foreign markets, the demand for timber cutting privileges was early in evidence and the great bulk of the forest area was alienated in fee simple. At the time of these early demands the significance of the forest in successful permanent development of the province was not fully realized; nor had the principle that the province should retain reasonable control of forest areas been appreciated in any degree. Coincidental with the demand for timber, strong efforts were put forth to settle the province and, unfortunately, scant consideration was given to the suitability for agricultural purposes of the land so settled upon. In 1900 the policy was changed to one of leasing lands for the removal of timber under leases running for twenty years subject to renewal. The Crown has retained the ownership of 2,321,747 acres of land. Of this amount, 1,435,855 acres are as yet unalienated and 885,892 acres have been disposed of under the leases.

Consumption

Lumbering in Nova Scotia is carried out by a large number of small 'Portable Mills' which saw from 20,000 to several million feet yearly. These mills are owned for the most part by small companies or operators and a large amount of the lumber is sawn on "custom sawing." During the past few years the production of forest products has decreased greatly for various reasons. The following table is an estimate of what the production would be in an average year:

F. B. M.

Lumber	200,000,000
Pulpwood (export)	70,000,000
Pulpwood (local mfg.)	70,000,000
Mining Timber	40,000,000
Heading and Staves	15,000,000
Poles and Piling	3,000,000
Boxes and Crates	6,000,000
Softwood Ties	2,500,000
Hardwood Ties	2,500,000
Woodenware	3,000,000
Laths	8,000,000
Shingles	2,000,000
Miscellaneous	1,000,000
Total	423,000,000

The following table shows the relationship between the production and volume of Standing Timber:

Consumption of Wood according to size and species

Softwood	Bd. Ft.
Annual consumption of wood above 10" into Lumber, Softwood Ties, Shingles.....	205,200,000
Annual consumption of wood below 10" into Pulpwood, Mining Timber, Barrels and Boxes, Poles and Piling, Laths.....	209,760,000
Hardwood	
Annual consumption of wood above 10" into Lumber, Ties, Woodenware	20,520,000
Annual consumption of wood below 10' mainly for fuel.....	228,000,000

In addition to the consumption of wood for forest industries and fuel, the forests are yearly destroyed through forest fires and insect attacks. Of late years an area of approximately 16,000 acres per year has been burned over. These fires destroy in the vicinity of 4,560,000 board feet of softwood and about the same amount of hardwood.

The yearly destruction of the forest by insect epidemics is very hard to estimate. The province has experienced two bad attacks from the Spruce Budworm in the last twenty-five years. The Beech, which was one of our most common and best hardwood trees, has been particularly hard hit by an attack of the Beech Bark Louse and practically all the merchantable trees of this species have been killed.

Thus the total yearly consumption of wood in the province may be approximately expressed by the following figures:

Softwood	456,000,000 Board Feet
Hardwood	273,600,000 Board Feet

Duration of Supply

The duration of the wood supply in a country is determined by dividing the available wood by the annual depletion. It is estimated that, rate of growth not taken into consideration, there is sufficient softwood of suitable diameter for lumber to last for twenty years, a sufficient supply of pulpwood, mining timber, etc., to last for fifty years and a supposed supply of hardwood for twenty years.

The big factor in the future supply of timber is the cut-over and second growth stands which will take the place of our forests of today. These areas at the present time are either not merchantable at all or only contain a very small number of merchantable trees but they will be ready to be logged by the time the present day stands have been cut over. Another factor to be noted is the areas which have been burned and which are considered as "barren." A considerable area of the land of this type is beginning to be reforested and will grow into timber and consequently will be another source of supply in the future.

In Nova Scotia the climate is very favorable to the rapid germination of tree seeds and the growth of trees themselves. Lands which have been cut over almost immediately start to seed themselves (from surrounding seed trees) and produce seedlings which grow into merchantable timber as the rate of growth is quite good. Although it is not as fast as considered by most people still it is slightly better than the average in the other provinces.

Under good management, careful cutting and proper forestry methods and the suppression of forest fires it has been estimated that the forests of Nova Scotia can furnish sufficient softwood to maintain a lumber industry of 200,000,000 feet board measure per year to perpetuity and is equipped with 800 saw mills to hand this amount of lumber and finished wood products; also sufficient softwood to warrant the export of box wood, cooperage, pulpwood, mining timber, poles, and piling, laths, etc., to the extent of about 150,000,000 board feet per year and also sufficient hardwood resources to maintain a lumber and wood working industry of 100,000,000 feet board measure per year to perpetuity.

Fisheries

Geographically Nova Scotia occupies a remarkably strategic position with regard to the deep sea fisheries of the North Atlantic—the most extensive and prolific fishing grounds in the world. The smaller fishing banks, or sea plateaus, such as Roseway, LaHave, Sambro, and Browns, are within a few hours sail of the fishing ports of Lockeport and Liverpool. The larger banks, Georges, Sable, Middle and Banquero, are nearly all within a radius of 150 miles from Nova Scotia. The famous Grand Banks frequented by the Lunenburg fishing fleet, are 465 miles from Canso and 607 miles from Lunenburg. The advantage of Nova Scotia's location over American fishing ports may be seen in the fact that Banquero is 555 miles from Boston, and the Grand Banks 928 miles.

The fisheries of Nova Scotia are of three distinct types, particularly insofar as operating methods are concerned:

Type 1—Deep Sea Fishery

This fishery has two natural divisions, the first being operated on the Grand Banks for the salt fish trade, and the other on the nearby banks largely for the fresh fish trade.

The Grand Banks fishery requires vessels of sufficient size and equipment to remain on the grounds for periods ranging from six weeks to three months. In length they average 140 feet, with draft of 12 feet and tonnage 100. Eight dories, or small boats are carried for trawl fishing and about 18 for hand-lining. Fishing operations are carried on in waters from 20 to 80 fathoms deep. The crew number about twenty.

The second division of the deep sea fisheries is really an extension of the off-shore fisheries, as the vessels operate on the nearby banks and grounds within one or two days sail from port, the trips lasting from two days to one week. As these vessels operate primarily for the fresh fish trade, the trips must necessarily be brief, as it is quite essential that the catches be landed as quickly as possible. The off-shore vessels, which have a tonnage of from 40 to 100, are usually equipped with gasoline or crude oil engine auxiliary power.

Fresh fishing, by means of these vessels, is carried on chiefly from Yarmouth, Lockeport, Shelburne, Liverpool, Lunenburg, Halifax, Canso, and North Sydney, at all of which places excellent facilities exist for shipping fish to the markets or for processing into fresh and smoked fillets, finnan haddies, etc., the markets for which are steadily enlarging.

Cod, haddock, hake and halibut are the varieties of fish sought after by the deep sea fishermen, and trawl fishing is the usual method of operation. Each trawl fisherman carries seven or eight dories, or small flat bottom boats, accommodating two fishermen to each boat.

On arrival at the fishing grounds the vessel is anchored, the trawl lines, some of which are a mile in length, have baited hooks fastened about every four feet along the lines, which are carefully coiled in the dories. The dories are provided with fog horns and suitable supplies of provisions in the event heavy fogs or snow squalls cause the boats to drift out of sight or sound of the vessel. At frequent intervals the lines are overhauled, the captured fish removed from the hooks and taken to the vessel where they are cared for and salted in the hold. This procedure continues from day to day as long as the supplies of salt and bait last, or until a full catch is made, when the vessel returns to port. The fish are removed from the vessel and placed in charge of the "fish makers"—men expert in the drying of fish for market.

Some of the vessels of the Nova Scotia fleet still use the hand-line method. In hand line fishing, single dories are used—one man to a dory. Also, unlike the trawl line method, the hand liners do not use baited hooks, except on occasional

periods when jigging conditions are not favourable. At such times clam bait is used unless squid can be secured on the grounds. The baitless hook lines catch the fish by "jiggin"—or quick working of the line. While the hand liners have the very decided advantage over the trawl liners, in that they do not require supplies of bait or ice, the work is much more laborious and constant.

Lunenburg is the centre of the salt fish trade, being the home of the finest fleet of deep sea sailing vessels in existence. This fleet operates on the Grand Banks, making three regular trips each season, Spring, early Summer and late Summer. The late Summer trip is the longest, the fleet being away from home from two to three months.

The striking characteristic of the Lunenburg fishery is that the ownership of the vessels, and also the actual fishing operations is largely co-operative, as many of the fishing captains and crews are part owners. This co-operative ownership and operation has made Lunenburg unique as a fishing centre. The men are directly interested in their own property and in the success of the fishery, with the result that the vessel property is well cared for, and the business conducted with energy. Only 3 steam trawlers are now being operated in the fisheries of Nova Scotia.

Type 2—Inshore Fishery

Not only is Nova Scotia strategically located with respect to the great deep sea fishing grounds, but the configuration of the coast with its numerous bays and other sheltered inlets form a favourite breeding and feeding ground for many varieties of fish. The inshore fishery is carried on chiefly by smaller vessels, and open motor boats. These boats go out to the grounds early in the morning, returning to port the same day. The catch includes cod, haddock, pollock, etc., as well as herring and mackerel, which during the seasons, are found in large schools in the coastal waters. The usual hand-line, or trawl-line method is used in the taking of cod and haddock. For the quick capture of herring and mackerel, the use of gill-nets, seines and trap-nets is necessary, as the schools of these smaller fish move constantly along the coast.

Gill-nets are of twine, knitted so as to provide mesh openings of a size suitable to enmesh the fish by the gills, seines are of smaller construction, but unlike gill-nets, which are "set," or anchored. The seine net is run around a body of fish and then "pursed," or brought together at both ends, and the fish dipped into the boats, or unloaded direct from the seines. Trap-nets are fixed nets in the formation of a trap, having an opening from which a long gill-net is run so as to lead the swimming fish into the trap. The opening is then closed and the fish either "pursed" or dipped from the trap.

The inshore fisheries also include salmon, swordfish, tuna and many other varieties, also shell fish such as clams, scallops and lobsters, the latter being first in importance in the more prosperous fishing districts. The average yearly catch of

lobsters is more than 20,000,000 pounds, the largest in the world. The commercial tuna fishery is well established in St. Margaret's Bay. As many as 600 of these large fish have been taken in one season. The fish average about 350 pounds, but specimens are frequently taken that weigh more than 1000 pounds.

Type 3—Inland Fisheries

Nova Scotia with its innumerable rivers, streams and lakes is most important from a fish breeding point of view. During the breeding seasons the rivers and streams swarm with alewives, smelt, salmon and trout. The Fisheries Department carries on in Nova Scotia extensive operations for the propagation and distribution of Atlantic salmon, Speckled, Rainbow and Brown trout. The hatcheries are situated at Margaree, Bedford, Middleton, Antigonish and Yarmouth, and the distribution therefrom of salmon and trout totalled more than 14 million last year.

Under Control of Dominion Government

The fisheries of Nova Scotia are under control of the Dominion Government. Supervision on land and sea coast is maintained to safeguard the fisheries from illegalities. During the fishing season the Fisheries Intelligence Service provides for daily reports by wireless of the daily weather probabilities, conditions affecting the fisheries, and supplies of bait. Daily broadcasts are made from Halifax, Louisbourg and Saint John.

Capital Equipment

The total capital investment of the fisheries of Nova Scotia in 1932 was \$9,236,204 apportioned as follows- \$6,139,792, value of the vessels, boats, nets, piers, wharves, etc.; \$3,096,412, amount invested in fish canning and curing branch of the industry.

Capital equipment in 1932 was as follows:

In Primary Operations	No.	Value
Steam trawlers.....	6	\$ 225,000
Steam vessels and tugs.....	1	2,000
Sailing and gasoline vessels.....	302	1,011,880
Sail and row boats.....	4,796	102,013
Gasoline boats.....	5,511	1,479,227
Carrying smacks and scows.....	150	197,500
Gill nets.....	41,233	446,096
Salmon drift nets.....	147	14,170
Salmon trap nets.....	311	79,452
Trap nets, other.....	511	224,060
Smelt nets.....	4,481	40,730

Weirs.....	99	21,980
Seines.....	254	29,270
Skates of gear.....	1,111	17,211
Tubs of trawl.....	23,041	152,971
Hand lines.....	22,581	25,418
Crab Traps.....	100	100
Eel traps.....	449	1,062
Lobster traps.....	980,984	1,205,954
Lobster pounds.....	35	20,575
Oyster rakes.....	329	950
Scallop drags.....	295	6,122
Fishing piers and wharves.....	1,058	480,455
Freezers and ice-houses.....	226	60,800
Small fish and smoke houses.....	3,595	269,796

Total value.....		\$ 6,114,792
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Markets

The depression prevailing during the past few years has of course adversely affected the markets for Nova Scotia fish. At the present time the markets for the fish of Nova Scotia might be outlined in a general way, as follows:

Canned Lobsters: England and France
 Fresh Lobsters: Boston, Gloucester and New York
 Dry Cod: West Indies
 Fresh Cod: Central Canada
 Fresh Haddock: Central Canada
 Smoked Haddock or Fillets: Central Canada
 Herring and Mackerel: West Indies
 Fresh Clams: Boston
 Canned Clams: United Kingdom, Bermuda, Trinidad
 Salmon: Central Canada, United States
 Scallops: Boston
 Eels: United States and Germany

Employment

About 20,000 persons are now engaged in the fishing, processing and canning of the catches. In addition a number are employed in the allied industries of ship and boat building, barrel making, etc., and a substantial volume of business is conducted in the furnishing of supplies and equipment. The whole coast is dotted with fishing villages and towns, many of which depend wholly upon the fisheries for their existence. With the growth in population throughout Canada and the expansion of foreign markets, there is every certainty that the fisheries of Nova Scotia would afford remunerative opportunities for a greatly increased fishing population.

CHAPTER VI.

PRIMARY PRODUCTION IN NOVA SCOTIA DURING THE PERIOD OF THE NATIONAL POLICY, 1881-1931

It may be contended that the decline of manufacturing in Nova Scotia under the National Policy has been accompanied by a compensating expansion of primary production in this province, in order to serve the needs of the rapidly growing industrial areas of Central Canada. The official Canada Year Book, 1933, contains the following paragraph at page 603:

"Inter-provincial trade in what is now Canada, had its beginning many years before Confederation in the exchange of the furs and lumber products of Upper and Lower Canada for the fisheries and mineral products of the Maritimes. Indeed it was thought at the time of Confederation that the coal fields of Nova Scotia would furnish sufficient fuel for the needs of all the eastern part of the Dominion. Later, manufacturers of Ontario and Quebec found markets from one end of the Dominion to the other in exchange for the farm, mineral and other products required by large urban communities, and produced principally in western and northern regions. Thus, the principle of comparative advantage is seen operating in the increased trade between the economic regions of the Dominion, a trade which is principally carried across the railways of the country, but also on its waterways."

As suggested in this paragraph, it is commonly assumed that industrial expansion in Central Canada has created larger markets for agricultural products and raw materials from Nova Scotia. In other words, it is taken for granted that trade has developed between Nova Scotia and the Central Provinces on the basis of an exchange of agricultural and other primary products from Nova Scotia, for manufactured products from Ontario and Quebec. It will be seen that such an assumption is not warranted by the facts.

AGRICULTURAL PRODUCTION IN NOVA SCOTIA DURING THE PERIOD OF THE NATIONAL POLICY, 1881-1931

In any statistical study of agricultural production in Nova Scotia in the period 1881-1931, attention must first be given to the production of field crops. Certainly, if the growing industrial market of Central Canada was absorbing an increasing quantity of agricultural products from Nova Scotia, one would expect to find this movement reflected in larger production figures of field crops through succeeding decades. The following table gives the production of field crops in Nova Scotia, as shown by census returns 1881-1931:

Production of Field Crops in Nova Scotia

(000's omitted) In bushels unless otherwise stated.

	1881	1891	1901	1911	1921	1931
Wheat.....	529 bu.	166 bu.	248 bu.	224 bu.	222 bu.	50 bu.
Oats.....	1,873	1,560	2,342	2,974	2,732	2,906
Barley.....	229	228	180	142	152	221
Rye.....	48	24	16	5	5	....
Peas & Beans.....	37	45	18	14	13	....
Buckwheat.....	340	184	196	206	90	88
Corn.....	14	17	9	3	2	....
Potatoes.....	7,378	5,114	4,270	3,531	4,390	3,243
Turnips.....	1,007	1,349	....	3,114	2,979	4,484
Other Roots.....	326	....	2,058	13 T.	8	....
Hay.....	598 Tons	632	647	724	611	664
Mixed Grains.....	....	....	91	78	64	130
Corn for forage.....	....	....	....	5 Tons	2	5.2
Other forage crops..	....	....	....	5	3	....
Grains cut for hay..	....	....	....	....	16 Tons	....

The next index of agricultural production is that of live stock. The following table gives the live stock population of farms in Nova Scotia, as shown by the census returns 1881-1931:

	1881	1891	1901	1911	1921	1931
Horses.....	46,044	52,210	55,174	61,420	54,439	44,579
Colts & fillies.....	11,123	12,837	....	....	....	....
Working oxen.....	33,275	28,424	....	....	....	....
Milch cows.....	137,639	141,684	127,945	129,274	119,733	108,000
Other horned cattle.....	154,689	154,664	173,757	158,218	146,630	113,000
Sheep.....	377,801	331,492	278,549	221,074	271,742	195,000
Swine.....	47,256	48,048	42,015	63,380	47,457	43,668
Poultry.....	....	792,184	798,145	954,251	1,196,434	1,267,000

The outstanding specialized agricultural industry in Nova Scotia is that of apple growing. The following table gives a survey of apple production in Nova Scotia by decades, from 1880-1930:

Apple Production in Nova Scotia

	1880	1890	1900	1910	1920	1930	1931
Bbls.....	302,840	350,531	659,578	555,659	1,414,655	1,172,443	1,427,492

Further evidence of the condition of the agricultural industry in Nova Scotia is afforded by the statistics of the number of males engaged in agriculture in Nova Scotia 1881-1931:

Males Engaged in Agriculture, 1881-1931

No.	1881	1891	1901	1911	1921	1931
No.	59,090	59,331	52,836	47,167	47,771	42,607

Still further light is thrown on the agricultural industry in Nova Scotia by the statistics of area of occupied farms. The following table gives the area of occupied farms in Nova Scotia by decades, from 1901-1931:

Area of occupied farms, 1901-1931

Acres	5,080,901	5,260,455	4,723,550	4,302,031
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It is not intended, at this point, to give particular interpretations of these various statistical tables covering the agricultural industry in Nova Scotia. Such interpretations can best be given by departmental heads and others actually connected with this industry who will appear before the Commission. Taken as a whole, however, the statistical evidence of agricultural production in Nova Scotia during the period under review, leads to the conclusion that this important branch of economic activity has not flourished under the auspices of the National Policy. On the contrary, with the notable exception of the apple growing industry, which sends above 80% of its crop to export markets, the statistical evidence points to a very definite decline in most branches of agricultural production.

In the category of field crops there are a few items which show an increase of production during the fifty years covered by the survey. These few examples of increased production, however, are more than counter-balanced by the very substantial reductions which are evident in the more important items covered by the survey. The statistics of live stock population confirm the conclusion drawn from the study of production of field crops. Here, too, it is noticeable that the stock of Nova Scotia farms has undergone a marked diminution in the period covered by the survey. This is especially noticeable in respect of milch cows, other horned cattle, and sheep. The only item in the classification of live stock which shows a significant increase is that of poultry. The survey of apple production shows an almost continuous increasing production by decades from 1880-1930. As already noted, however, the apple crop in Nova Scotia has never found a market in the industrial areas of Ontario and Quebec. It may be regarded almost exclusively as an export crop.

The evidence of decline in the agricultural production of Nova Scotia receives further corroboration in the table giving comparative figures of males engaged in agriculture, 1881-1931. The final confirmation of the decline of the agricultural industry in Nova Scotia is afforded by the figures giving the area of occupied farms for the successive decades, 1901-1931.

It is abundantly clear from this statistical summary of agricultural production in Nova Scotia, 1881-1931, that the farmers of this province have not received a market in the industrial section of Central Canada during the period when the National Policy was accelerating the concentration of manufacturing in the provinces of Ontario and Quebec. In fact, when we consider that agricultural production in this province has not only failed to expand, but has actually undergone a marked contraction in the period under review, we are compelled to conclude that the migration of manufacturing industries from Nova Scotia to Central Canada has resulted in an absolute loss of local markets for agricultural products, which were formerly served by farmers of this province. In other words, the decline of manufacturing in Nova Scotia has been paralleled by a decline in agricultural production. There is no reason to believe that this parallelism is a coincidence. There are strong grounds for the conclusion that the decline in agricultural production has been a direct result of the contraction of the industrial market for agricultural products in Nova Scotia, through the decline of manufacturing activity in this province as described in a previous section of this submission.

MINING PRODUCTION OF NOVA SCOTIA DURING THE PERIOD OF THE NATIONAL POLICY, 1881-1931

Because of the geographical position of Nova Scotia on the Atlantic seaboard, this province was among the first in Canada to have its mining resources explored. In mining, and especially in the production of bituminous coal Nova Scotia has had a widespread reputation, for over two hundred years, while its gypsum deposits, which are among the most extensive in Canada, are only in the primary stages of development. A protective tariff, designed to promote the coal mining industry in Nova Scotia, was adopted in 1877, when a duty was placed on American soft coal entering Canada. This made it profitable for the Nova Scotia mine operators to compete with United States producers in the markets along the St. Lawrence River. With the advent of the steel industry, using the iron ore from the neighboring colony of Newfoundland, the consumption of coal was further increased. The National Policy of 1879 had definitely in view the encouragement and expansion of the coal industry in Nova Scotia, through the continuance of the duty upon bituminous coal imported from the United States. The following table gives the production and value of coal produced in Nova Scotia by decades, from 1880-1930:

Output of Coal from Nova Scotia Mines, 1880-1930

	Output in Tons	Value
1880	1,177,669	\$ 1,840,108
1890	2,181,033	3,407,864
1900	3,623,536	8,088,250
1910	6,431,142	12,919,705
1920	6,437,156	32,314,523
1930	6,252,552	24,528,860

Gypsum is another important mineral product of Nova Scotia. The following tables give the production of gypsum in Nova Scotia by decades, from 1880-1931:

Trend of Production of Gypsum, 1880-1931

	Quantity in Tons.
1880	128,588
1890	146,003
1900	122,281
1910	322,974
1920	174,520
1931	863,134

It will be seen from the above table, giving the statistics of coal production in Nova Scotia, that from 1880 to 1910 there was a striking increase in the output of Nova Scotia collieries. This increase, however, has not been maintained in the succeeding decades; in fact there was a small decrease in coal production as between the years 1910 and 1930. Attention will be directed at a later point in this submission to the additional assistance which has been rendered by the Dominion Government to the coal industry of Nova Scotia. It will suffice to point out at present that a very considerable portion of the increased output of the coal mines of Nova Scotia in the period under review may fairly be credited to the operation of the National Policy.

The table giving the statistics of gypsum production in Nova Scotia by decades from 1880 to 1931, indicate a fairly steady increase in the production of gypsum during this period. It must be noted, however, that the bulk of gypsum mined in Nova Scotia is marketed in the United States. The increase in gypsum production cannot, therefore, be attributed to the operation of the National Policy.

THE LUMBER INDUSTRY OF NOVA SCOTIA DURING THE PERIOD OF THE NATIONAL POLICY, 1881-1931

The lumber industry is another of the basic industries of Nova Scotia. The following table indicates the trend of production in this industry during the period under review:

Output of Lumber, Nova Scotia, 1881-1931.

Year	Value
1881	\$3,094,173
1891	4,083,980
1901	2,940,107
1911	7,927,873
1921	4,339,961
1931	2,460,753

It will be observed from this table that there has been little expansion in this industry in the period of this survey, so far as its progress may be measured by the value of its annual product. The lumber industry in Nova Scotia has always been an export industry, its principal markets being the United States, Great Britain, and the West Indies.

PRODUCTION OF THE FISHING INDUSTRY DURING THE PERIOD OF THE NATIONAL POLICY, 1880-1930

The sea fisheries of Nova Scotia are justly regarded as one of the most important of its resources. The following table gives the statistics of production and capital investment in this industry, by decades from 1880 to 1930:

Fishing Industry—Production & Capital Investment

	Production	Capital Investment
	\$	\$
1880	6,291,061	2,225,493
1890	6,636,444	3,243,310
1900	7,809,152	3,278,623
1910	10,119,243	5,334,083
1920	12,742,659	13,347,270
1930	10,411,202	11,244,740

Although the Dominion Government has rendered invaluable assistance to the fishing industry of Nova Scotia through its Department of Fisheries, the expansion of this industry during the period under review cannot be attributed to the operation of the National Policy. Like the lumber industry, the fishing industry of Nova Scotia depends very largely upon export markets for the sale of its product. It is only within comparatively recent years that a market for fresh fish has been developed in the industrial centres of Ontario and Quebec. Reference to this development will be made at a later point in this submission.

CONCLUSIONS DRAWN FROM STATISTICS OF TREND OF PRIMARY PRODUCTION IN NOVA SCOTIA DURING THE PERIOD OF THE NATIONAL POLICY, 1881-1931

It is apparent from this summary of statistical evidence of primary production in Nova Scotia during the period 1881-1931, that the coal industry is the only primary industry which may be said to have received a stimulus from the National

Policy. The agricultural industry in Nova Scotia has failed to find a market in the industrial area of Central Canada, which would compensate it for the decline in its local industrial market, resulting from the failure, or migration, of manufacturing establishments in Nova Scotia. In the production of lumber there have been marked variations from decade to decade, and without any evidence of steady and continuous expansion. This industry, as already noted, is dependent upon export markets for the bulk of its product. The production of the fisheries of Nova Scotia affords evidence of fairly steady expansion by decades to 1930. This industry is also largely dependent upon export markets and cannot be said to have received any stimulus from the National Policy.

This statistical survey of production in Nova Scotia during the period of the National Policy is presented merely as evidence of the fact that during this period the decline of manufacturing in Nova Scotia has not been counter-balanced by an expansion in agriculture and other primary industries, with the single exception of coal production. To obtain the real reasons for the failure of primary industries developed during this period is one of the tasks of this Commission. It will be necessary to go behind the bare figures of production and to enquire into the economic conditions affecting each of these branches of primary production. Evidence bearing upon problems of these industries will be submitted by those whose practical experience in them entitles them to speak with authority upon their special problems. The mere correlation of the National Policy and the failure or stagnation of primary industries is not sufficient to establish a causal connection. At a later point in this submission, however, evidence and argument will be submitted on the effect of the protective tariff in retarding the progress of primary production in Nova Scotia.

CHAPTER VII.

OTHER ASPECTS OF THE DECLINE IN INDUSTRY AND TRADE IN NOVA SCOTIA

A continued decline of industry and trade over a long period of years must have its inevitable effect upon the morale and outlook of a community. Charges that the people of Nova Scotia are lacking in enterprise have been made on frequent occasions, but there has been too little disposition to look behind the alleged fact to its basic cause. It has been assumed generally that the lack of economic progress in Nova Scotia has been the result of the failure of enterprise in the province. This is a superficial view of the true situation. It would at least be closer to the truth to say that the lack of enterprise is the accumulated result of a long period of gradual but persistent economic debilitation.

A condition of economic decline is almost certain to be reflected in the statistics of population. The comparative population figures for the provinces of Canada as revealed by the decennial census since 1871, indicate the failure of Nova Scotia to maintain a satisfactory pace of growth and the more significant fact of an absolute loss of population in the decade 1921-1931.

Population of Canada, by provinces and territories, 1871-1931:

Provinces	1871	1881	1891	1901	1911	1921	1931
Canada.....	3,689,257	4,324,810	4,833,239	5,371,315	7,206,643	8,787,949	10,376,786
P. E. Island.....	94,021	108,891	109,078	103,259	93,728	88,615	88,038
Nova Scotia.....	387,800	440,572	450,396	459,574	492,338	523,837	512,846
New Brunswick.....	285,594	321,233	321,263	331,120	351,889	387,876	408,219
Quebec.....	1,191,516	1,359,027	1,488,535	1,643,898	2,005,776	2,360,665	2,874,255
Ontario.....	1,620,851	1,926,922	2,114,321	2,182,947	2,527,292	2,933,662	3,431,683
Manitoba.....	25,228	62,260	152,506	255,211	461,394	610,118	700,139
Saskatchewan.....				91,279	492,432	757,510	921,785
Alberta.....				73,022	374,295	588,454	731,605
Br. Columbia.....	36,247	49,459	98,173	178,657	392,480	524,582	694,263
Yukon.....				27,219	8,512	4,157	4,230
Northwest Ter.....	48,000	56,446	98,967	20,129	6,507	7,988	9,723
R. C. Navy.....						485	

Per cent distribution of the population, 1871-1931.

Provinces	1871	1881	1891	1901	1911	1921	1931
Canada.....	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Alberta.....				1.36	5.19	6.70	7.05
British Columbia.....	0.98	1.14	2.03	3.33	5.45	5.97	6.69
Manitoba.....	0.68	1.44	3.16	4.75	6.40	6.94	6.75
New Brunswick.....	7.74	7.43	6.65	6.16	4.88	4.41	3.93
Nova Scotia.....	10.51	10.19	9.32	8.56	6.83	5.96	4.94
Ontario.....	43.94	44.56	43.74	40.64	35.07	33.38	33.08
P. E. Island.....	2.55	2.52	2.25	1.92	1.30	1.01	0.85
Quebec.....	32.30	31.42	30.80	30.70	27.83	26.87	27.70
Saskatchewan.....				1.70	6.84	8.62	8.88
Yukon.....				0.51	0.12	0.05	0.04
Northwest Territories.....	1.30	1.30	2.05	0.37	0.09	0.09	0.09

Increase per cent of population by provinces, 1871 to 1931

Provinces	Popul. in 1871	Per cent Increase by Decades						Per cent Increase in 60 years.
		1871 to 1881	1881 to 1891	1891 to 1901	1901 to 1911	1911 to 1921	1921 to 1931	
Canada.....	3,689,257	17.23	11.76	11.13	34.17	21.94	18.08	181.27
Alberta.....					412.58	57.22	24.33	
British Columbia....	36,247	36.45	98.49	81.98	119.68	33.66	32.35	1,815.37
Manitoba.....	25,228	146.79	144.95	67.34	80.79	32.23	14.75	2,675.25
New Brunswick.....	285,594	12.48	0.09	3.07	6.27	10.23	5.24	42.94
Nova Scotia.....	387,800	13.60	2.23	2.04	7.35	6.40	-2.10	32.24
Ontario.....	1,620,851	18.88	9.73	3.25	15.77	16.08	16.98	111.72
P. E. Island.....	94,021	15.82	0.18	-5.34	.31	-5.46	-0.68	-6.36
Quebec.....	1,191,516	14.06	9.53	10.77	21.64	17.69	21.76	141.23
Saskatchewan.....					439.48	53.83	21.69	
Yukon.....					-68.73	-51.16	1.76	
Northwest Ter.....	48,000	17.60	75.33	-79.66	-67.67	22.76	21.72	-79.74

The analysis of population by age-groups affords even more striking evidence of the migration from Nova Scotia of an abnormal proportion of its native-born population between the ages of 25 and 45, comprising the age-groups from which one would expect under normal conditions the highest degree of enterprise and productivity. The table which follows sets out the distribution of the male population of Nova Scotia by age-groups, showing the distribution of the male population of the same age-groups in Canada as a whole, and for the provinces of Quebec and Ontario.

DISTRIBUTION OF MALE POPULATION BY AGE GROUPS

Distribution of Male Population by Age Groups.

			Percentages of total male population.
<i>CANADA</i>	Total male population,	5,374,541	
	Males 20-24 years	463,722	8.62%
	25-29 "	409,976	7.62%
	30-34 "	368,135	6.85%
	35-39 "	359,081	6.68%
	40-44 "	347,763	6.47%
<i>NOVA SCOTIA</i>	Total male population,	263,104	
	Males 20-24 years	22,817	8.67%
	25-29 "	17,079	6.49%
	30-34 "	15,132	5.75%
	35-39 "	15,633	5.94%
	40-44 "	14,218	5.40%
<i>QUEBEC</i>	Total male population,	1,447,124	
	Males 20-24 years	130,733	9.03%
	25-29 "	113,135	7.81%
	30-34 "	98,202	6.09%
	35-39 "	89,145	6.16%
	40-44 "	78,682	5.43%
<i>ONTARIO</i>	Total male population,	1,748,844	
	Males 20-24 years	147,669	8.44%
	25-29 "	135,898	7.77%
	30-34 "	128,750	7.36%
	35-39 "	125,702	7.18%
	40-44 "	117,986	6.74%

It will be seen from the table given above that the percentage distribution of age-groups from 25 to 44 years in Nova Scotia is in every case well below the average of these groups for Canada as a whole. There is an even more striking disparity between the distribution of these age-groups in Nova Scotia and in the provinces of Ontario and Quebec. There can be no doubt that the census figures of 1931 simply confirm a trend which has been in evidence for many years. Either through the greater allurements of urban life in the United States and in the central provinces, or through lack of diversified and remunerative employment in Nova Scotia, the most active element of its population has been drawn away from the province to contribute to the up-building of foreign countries and other sections of the Dominion. A movement of this character has a cumulative effect upon the morale of a community. It creates in itself an attractive power beyond the province which

draws each succeeding generation of younger Nova Scotians to seek success beyond its boundaries. It creates as well, a sentiment of restlessness and dissatisfaction among those of the lower age-groups who remain in the province. It leads to an assumption that a large proportion of each generation in Nova Scotia must seek its livelihood beyond the province. It is not too much to say that the persistence of this movement over a period of years has in itself contributed largely to the failure of Nova Scotia to realize the promise of its resources, even under the disabilities which have handicapped its economic progress.

There can be no doubt that the decline of manufacturing activity, particularly in the last three decades, has aggravated this movement. The loss to Nova Scotia from the removal of its manufacturing industries has involved not only a substantial monetary loss to industries and wage-earners but has resulted also in a gradual exodus of skilled machinists, woodworkers, blacksmiths, and artisans of proved ability, many of whom had received their technical training in institutions maintained at the expense of the province. It has led to a severe depreciation of property in many industrial communities and a loss of tax revenue, followed by rising tax rates imposed on the inhabitants of these communities who still remain. It has gradually undermined confidence in local industries and has made it exceedingly difficult to secure the investment of capital by Nova Scotians in new enterprises. At the same time foreign capital uninfluenced by considerations of sentiment, has been diverted from a province whose manufacturing industries appear to be unable to maintain themselves against internal competition.

The decline of manufacturing, as already noted, has also had its effect upon the agricultural population of the province. The close-down or removal of factories in various towns throughout the province has brought about a contraction of the market for agricultural commodities within the province. During the same period there has been no compensating enlargement of the market for Nova Scotia agricultural products in the growing industrial areas of central Canada. The result has been that the farming areas in the immediate vicinity of the declining industrial communities have themselves been involved in the process of economic retrogression. Sons and daughters of farmers expecting to find employment in the industrial centres within the province have been compelled to go farther afield in the search for a livelihood.

At the request of the Government of Nova Scotia the Dominion Bureau of Statistics has brought up to date its statistical study "The Maritime Provinces Since Confederation," which was prepared originally for the information of the Royal Commission on Maritime Claims in 1926. The revised publication is submitted herewith for the information of this Commission. It contains in the second chapter a detailed study of the trend of population in the Maritime Provinces 1861-1931. This analysis throws much light on the causes of the failure of the Maritime Provinces to maintain a satisfactory rate of growth. There is room for differences of opinion as to the conclusions to be drawn from the evidence presented in this statistical study but the following paragraphs on the effects of emigration upon the Maritime Provinces are of particular interest:—

"The emigrants are mostly drawn from the most desirable classes of the population, the majority being native-born of British races. Most of the emigrants leave the Maritimes between the ages of 15 and 30, after having been educated at the expense of the provinces, and when they are young, vigorous, ambitious and enterprising. By their departure the Maritime Provinces lose not only the most efficient type of labour power but also enterprising ability on which further development depends.

"The effect of emigration in removing the younger and more vigorous elements of the population is to decrease crude birth and marriage rates and to increase crude death rates, thus checking natural increase."

Additional evidence of the failure of Nova Scotia to maintain a satisfactory rate of economic progress is afforded by the comparative figures of production and money earnings in Nova Scotia and other provinces of the Dominion.

Per Capita Net Production(1)

Canada and the Provinces.

	1928	1930
Canada.....	\$397	\$309
P. E. Island.....	262	188
Nova Scotia.....	281	223
New Brunswick.....	209	192
Quebec.....	340	310
Ontario.....	458	402
Manitoba.....	335	203
Saskatchewan.....	448	145
Alberta.....	466	252
British Columbia.....	462	387

It should be noted that in 1930 the per capita net production for the Dominion of Canada as a whole was abnormally low because of the crop failure in Saskatchewan and the sharp fall in the world price of wheat.

It should be noted also that the per capita figures of net production for the western provinces in 1930 reflect the sharp fall in the world price of wheat and in Saskatchewan especially the severe crop failure of that year.

- (1) "Gross" and "Net" Production—Gross production shows the total value of all the individual commodities produced under a particular heading. Net production represents an attempt to eliminate the value of materials consumed in the productive process. For purposes of ordinary economic discussion, the net figures should be used in preference to the gross, because of the large amount of duplication which the latter includes, on account of the necessity of making the individual items self-contained.

**Average Yearly Earnings and Average Number of Weeks
of Employment during the Census Year, 1931.**

Canada and the Provinces.

Provinces.	Average Yearly Earnings		Average Number of Weeks of Employment (1)	
	Males	Females	Males	Females
All Ages				
Canada.....	927	560	41.12	46.59
Nova Scotia.....	763	430	40.35	47.80
New Brunswick.....	754	436	40.96	47.18
P. E. Island.....	677	361	46.84	49.18
Quebec.....	926	480	41.87	46.75
Ontario.....	1,006	638	41.69	46.66
Manitoba.....	927	559	40.25	45.70
Saskatchewan.....	761	525	41.55	46.26
Alberta.....	888	597	40.57	46.30
British Columbia.....	896	625	37.69	45.59

**Comparison between Average Yearly Earnings
of Age-Groups for Canada and the Province of Nova Scotia (2)**

Age-Groups	Canada		Nova Scotia	
	Males	Females	Males	Females
17 years and under.....	270	251	259	188
18—19 years.....	405	376	378	284
20—24 “.....	613	534	536	410
25—34 “.....	899	698	760	559
35—44 “.....	1,170	759	963	601
45—54 “.....	1,203	698	981	551
55—64 “.....	1,072	570	883	391
65—69 “.....	899	422	763	336
70 years and over.....	791	340	594	247

(1) Average based on wage-earners with earnings stated.

(2) Dominion Bureau of Statistics, Seventh Census of Canada, 1931, Bulletin No. XXXIII.

It may be contended that the various symptoms of economic decline in Nova Scotia are but surface indications of a poverty of physical and human resources, and that the people of the province must reconcile themselves to a continuance of a lower standard of living. In accordance with this general point of view, it may also be urged that the absolute loss of population is only another indication of the poverty of the province in resources, and that the decline should be accepted as an indication that Nova Scotia cannot sustain a large population without lowering still further the average standard of living throughout the province.

The answer to this contention must be that natural resources in themselves do not determine whether a standard of living shall be high or low or whether a population shall be large or small. What really determines these results is the utilization and development of natural resources. If the economy of Nova Scotia had been under the control of its own people, and had been developed under a regime of complete freedom of trade, the symptoms referred to above would constitute a *prima facie* proof that the resources of the province could not sustain a larger population at a higher standard of living. But the economy of Nova Scotia has not been under the control of the people of the province for the last sixty-five years, and it has not been permitted to develop within a regime of freedom of trade. The effective control over the development of the resources of Nova Scotia, was largely transferred to Ottawa under the terms of the British North America Act. We contend therefore that the acknowledged facts of economic decline in the province cannot be taken by themselves as conclusive proof of the necessity of that economic decline. Through the control exercised by the Dominion Parliament over trade and transportation, the full development of the resources of the province has been confined by the terms of policies instituted by the Dominion Parliament on alleged grounds of national interest.

This point is important to establish, from the standpoint of the province, for it is sometimes alleged that the Dominion is entitled to disclaim all responsibility for the decline of one or a group of provinces within the federation on the ground that such decline is merely evidence of lack of natural resources in the backward provinces for which Providence, and not the Dominion, must be held responsible. If Providence had been allowed to have its way in relation to trade and transportation, Nova Scotia doubtless would have little cause to lay a complaint against the Dominion, but the fact is that the bounty of nature merely placed our resources in the soil and the sea; the policies inaugurated by the Dominion Parliament have determined in a large measure, the development, manufacture and exchange of these resources. The standard of living in Nova Scotia, or any other province, is not therefore a matter exclusively of provincial responsibility and concern. It is also the concern of the Dominion Government and Parliament to the extent that it can be demonstrated that the utilization of our resources and their exchange for other commodities have been prejudiced by Dominion legislation.

CHAPTER VIII.

THE PROVINCIAL INCIDENCE OF THE CANADIAN TARIFF

The tariff duty is a tax and a subsidy. It is a subsidy in the same sense in which a bounty is a subsidy. The only material difference is that a bounty is a fixed sum, whereas a tariff subsidy is an uncertain sum. In the case of the bounty, moreover, the amount of the subsidy is collected by the Government, from the taxpayers, and is then paid over directly to a subsidized industry, whereas in the case of the tariff subsidy the Government merely fixes the rate of duty, and the subsidy itself is paid by the consumers of the commodity which is protected.

The truth of this statement is very evident in some industries. The automobile industry will serve as an example. This industry is located entirely in the Province of Ontario and receives tariff protection of rates varying from 20% to 40%, under the general tariff. Presumably it would not exist without tariff protection. It is subsidized to the extent of its protection. Who pays the subsidy? Clearly it is paid by the consumers of automobiles in Canada. In Nova Scotia in 1930 retail sales of motor vehicle dealers amounted to the sum of \$13,098,900. At the most conservative estimate the purchasers of automobiles in this one year paid in the neighborhood of \$2,183,150 in additional price due to the tariff. In other words, had it not been for the tariff, the automobiles could have been purchased for at least \$2,183,150 less than the sum actually paid. In the case of some other protected commodities, the price effects are more obscure, but this does not alter the fact that on final analysis, the effect of the tariff is to permit certain industries to collect subsidies from the consumers, in order to allow them to conduct their operations. This view has had a recent authoritative confirmation in the Report of the Special Commission on the Australian Tariff in 1927, which declared that "The assistance given to Tariff-protected industries is in fact a bounty, but it is paid by consumers and much of its cost falls ultimately on the export industries."

It is important to observe that tariff protection in Canada confers special benefits upon the central provinces of Ontario and Quebec. It is not denied that these provinces possess certain distinct advantages, both in manufacturing and distribution in relation to the Canadian market. Nor is it suggested that the tariff subsidies are given with any primary intent to confer benefits upon these particular provinces as such. At the same time it has to be acknowledged that in their geographical incidence subsidies given to industry in the form of tariff protection are distributed unequally among the various provinces of the Dominion.

THE DISTRIBUTION OF TARIFF SUBSIDIES AND TARIFF COSTS

It is submitted therefore, that the tariff is a form of subsidy, which, while given directly to industries, is in part a contribution to the development of the provinces whose industries benefit thereunder. If this subsidy were paid directly out of the

Dominion Treasury in the form of bounties to particular industries, in particular provinces, it would be comparatively easy to determine how such bounties should be distributed in an equitable manner among the several provinces, having regard to the resources and needs of their populations. A tariff subsidy, however, is not paid out of revenues. It frequently has the effect of contracting revenues. It is paid by those who consume the commodities manufactured by the protected industry, so that the real burden of paying the subsidy may fall upon sections or provinces which do not share either directly or indirectly in the industrial development it is designed to promote. If, for example, the Canadian federation consisted of three adjoining provinces and tariff duties were so imposed as to promote a development of manufacturing in the central province, and no development of manufacturing occurred in the others, is it to be doubted that these other provinces would contribute a disproportionate share of the tariff subsidy through the added cost of the manufactured products which they were compelled to buy from the central province? It is true that the citizens of the central province would contribute a share of the subsidy in their purchase of products manufactured in the province, but at the same time, they would be participating in the subsidy paid to their own industries, either through an enlarged market for agricultural and other primary products afforded by the industrial development stimulated by the subsidy or through wages and salaries paid out by the subsidized industries. In the case of the other provinces, however, the consumers of manufactured products would be paying out their proportion of the subsidy, without receiving back any of the direct benefits arising from the industrial development promoted by it, unless it can be demonstrated that they participate substantially in the enlarged industrial market for raw materials, agricultural commodities and other primary products.

The position in Canada, while not so simple as this illustration, is analogous to it in respect of the disproportionate burden borne by the various provinces for the support of manufacturing industries. Manufacturing stimulated by the protective tariff is distributed to some extent among the several provinces, but there has been a disproportionate development in the central provinces of Ontario and Quebec. These provinces have received an excessive share of the tariff subsidy, and having relatively few export industries, have borne less than their reasonable share of the cost of the subsidy. Nova Scotia, at the Atlantic extremity of the Dominion, has been subsidized by the tariff in respect of certain industries, but on balance, she is contributing largely to the payment of the subsidy to the manufacturers of Central Canada, while at the same time her export industries, which form a large proportion of her total production, have had to bear a heavy share of the cost of the tariff subsidy paid to the Central Provinces.

Admittedly, there is great difficulty in calculating the distribution of the tariff subsidy in Canada, and in estimating the proportionate cost of this subsidy which is borne by the several provinces. The Canadian tariff system, despite its baptismal title of "The National Policy", has been developed without any clear relation to its effects upon the economy of the provinces as such. Murmurs of protest have been heard occasionally from some of the provinces which felt that certain

tariff changes were prejudicial to their interests, but there has been no general movement among the dissentient provinces strong enough to bring about a general inquiry. It is not inappropriate that such a movement should be initiated at this time by Nova Scotia, the largest and senior member, so to speak, of the maritime group of provinces on the Atlantic seaboard. Other provinces, conceivably, may have an even stronger case against the tariff situation as constituted at present, but historically Nova Scotia was the first to express misgivings as to the results of the protective policy upon the maritime section of the Dominion, and an experience of more than half a century under the National Policy has afforded convincing proof that these early misgivings were not ill-founded.

It must be recognized that some of the effects of the tariff policy of the Dominion on Nova Scotia are concrete and visible, while others are intangible and obscure. The visible effects are at least partially susceptible of measurement in monetary terms. The intangible effects, while no less important for the student or statesman, are not of a character which can be expressed or measured in definite terms. They relate to the morale of a community, its social vitality, those intellectual and spiritual qualities which are the one sure foundation of economic progress. In the analysis which follows, an attempt will be made to deal with the concrete evidence of the unequal incidence of the tariff upon the several provinces of the Dominion, and more particularly with such evidence as is capable of presentation in monetary terms.

INVESTIGATION OF THE INCIDENCE OF THE TARIFF IN AUSTRALIA

The terms of reference issued to this Commission preclude a study of the effects of the tariff policy of the Dominion upon the national economy. They require however, an investigation of the effect of the tariff policy of the Dominion upon the economic interests of Nova Scotia. They also require by necessary implication a study of the gains received and losses suffered by the several provinces of the Dominion under the protective system.

Up to the present time no attempt has been made to measure either the net effect of the protective tariff upon any one of the provinces of the Dominion of Canada or the relative incidence of the tariff upon the various provinces which comprise the federation. There have been many specific inquiries into the protection afforded to particular industries located either wholly or chiefly in one province, but the provincial incidence of the tariff has arisen only indirectly in such cases.

Numerous inquiries have been made into the financial relations between the Dominion and the Provinces. One might have expected that in the course of such inquiries the burden of the tariff upon particular provinces would call for a special investigation. Such, however, has not been the case. Although the National Policy of 1879 has been in operation for some 55 years, no scientific study of its provincial incidence has ever been attempted.

Australia is the only country, under a federal constitution, which has made a serious attempt to study the effects of the tariff upon its component states. A number of inquiries have been instituted in Australia in which the effect of the tariff upon particular states has been investigated as an aspect of the larger problem of the financial relations between the states and the Commonwealth. Since it would appear that the position of Tasmania in relation to the Commonwealth of Australia resembles to a marked degree the position of Nova Scotia in relation to the Dominion of Canada, a special significance attaches to recent investigations of Tasmania's disabilities within the Australian Commonwealth. In an inquiry conducted by the Joint Committee of Public Accounts of the Commonwealth Parliament in 1930 it was contended on behalf of Tasmania, that its interests had suffered particularly as a result of the Tariff Policy of the Commonwealth. "The high protective tariff was an almost unmixed burden to Tasmania with very little compensating benefit. It increased costs in the export industries by something like 10% and caused very little protected industry to be established in Tasmania. The effect was probably to add something like 400,000 pounds to the cost of producing overseas exports and without any addition to the prices received. There was therefore so much less income of a taxable kind and in addition the further serious loss of income from the production which was made impossible by the increase in costs. The position however, was complicated by the effects of interstate free trade which had made possible, under the common Australian tariff, certain manufacturing production for general Australian consumption, notably confectionery and some woollen goods. This benefit, however, was offset by the decline of older Tasmanian manufacturing industry in competition with production on a larger scale by the other states. While there was an increase of 70% in industrial bread winners between the years 1901 and 1921 in Australia as a whole, the increase in Tasmania was only 20%. Between 1921 and 1926 the increase for the Commonwealth amounted to a further 16.4% as against 3.6% for Tasmania. It would thus be seen that Tasmania which depended largely on primary production, and had a low taxable capacity, carried a disproportionate share of the costs involved in Australia's protective policy. It was recognized, however, that the free market on the mainland for Tasmania's primary products was some compensation for the heavy burden of the tariff. It was probable that on balance of all industries, primary and secondary, interstate free trade was beneficial to Tasmania."

This summary of the case submitted on behalf of Tasmania suggests a number of interesting points of comparison between Tasmania and Nova Scotia in relation to the federation of which they form respectively a part. It is unnecessary to elaborate on this comparison at this point beyond pointing out that the disabilities suffered by Tasmania are substantially of the same character as those suffered by Nova Scotia within the Canadian Federation.

In the case submitted to the Joint Committee of Public Accounts on behalf of South Australia in 1930, the official brief contained the following reference to the effects of the Australian tariff on the economic interests of South Australia:

(1) "The tariff imposed by the federation has taxed unsheltered export industries in order to establish protected industries. This has affected detrimentally the finances of South Australia and has benefited the finances of states such as Queensland, Victoria and New South Wales, where protected industries have been established. (2) The cost of developing protected and export industries has not been equitably distributed over the states of the Commonwealth."

In amplification of the above, it was stated that the excess cost of protection placed a burden of something like 3,700,000 pounds per annum on the people of South Australia. Had it not been for these excess costs, it was claimed that the export industries of South Australia would have had a greater output than they now have and would have provided for a larger population in the State. Some of the excess costs due to protection were, it was stated, paid to protected industries in South Australia, but the greater portion was paid to the sugar, manufacturing and butter industries of other states.

As corroborating to some degree the representations made in behalf of Tasmania and South Australia, it is of interest to find a reference to their disabilities under the Australian tariff in the Report of the British Economic Mission 1929, which was nominated by His Majesty's Government of Great Britain at the request of His Majesty's Government in the Commonwealth of Australia. The following extract from the Report may be quoted: "We may say that we have been strongly disposed to the view that the combined operation of the tariff and of the Arbitration Acts has raised costs to a level which has laid an excessive and possibly even a dangerous load upon the unsheltered primary industries, which, having to sell in the world markets, cannot pass on the burden to other sections of the Australian community, and consequently, as between the various states, upon those, notably Western Australia, South Australia, and Tasmania, which are poor in manufactures and are principally concerned with primary production." In a footnote to this paragraph, the members of the British Economic Mission make this further observation, "We are aware that the disabilities under which these states suffer are recognized by the Commonwealth Government and that substantial subsidies are paid by the Commonwealth, to Tasmania and Western Australia, while the question of granting a similar subsidy to South Australia is under consideration. These subsidies however, can only be regarded as palliatives of a system with which there is something amiss."

These several investigations into the effect of the tariff upon the economy of certain states of the Australian Commonwealth have a special significance in relation to the task confronting this commission in Nova Scotia. The mere fact that these investigations have taken place within the last few years affords convincing proof of the importance of considering the effects of tariff policy in relation both to the distinct economy and financial position of individual states within a federation. They are also of value as indicating a procedure through which it may be possible to measure in general terms the incidence of the tariff upon the various states or provinces of a federation. Reference will be made later to other inquiries of this

character, which have been conducted in Australia in recent years and more particularly to the economic inquiry into the Australian Tariff which was conducted in 1929, at the instance of Right Hon. Stanley Bruce, then Prime Minister of Australia.

SUGGESTED TECHNIQUE FOR MEASURING THE PROVINCIAL INCIDENCE OF THE CANADIAN PROTECTIVE TARIFF

In developing a technique or procedure through which to measure the effects of the Canadian tariff upon the economic interests and financial position of the provinces, it is important to recognize at the outset that a lack of complete statistical data will make it impossible to obtain more than a rough measurement even of the direct effects of the tariff. As already stated, the Terms of Reference issued to this Commission only permit of an investigation of the results of the tariff on the province of Nova Scotia, though by implication an investigation is also called for of the relative effects of the Canadian tariff upon this and other provinces of the Dominion. Since we are not entitled to consider the effects of the protective tariff on the national economy, we are forced, as it were, to take the tariff as it stands and to consider its incidence upon the various provinces. This will permit a conclusion as to the net result of the protective tariff upon the economy of Nova Scotia. It will also permit conclusions as to the provincial distribution of the gains and losses implied in a system of protection.

Historically, the imposition of tariff duties has served two purposes: Sometimes such duties have been imposed primarily as a means of securing revenue; they have also been imposed, however, as a means of encouraging the development of domestic industries. In such cases the duties are placed at such a level as to exclude, with reasonable effectiveness, the importation of the protected commodities from foreign countries. The distinction between a tariff for revenue and a tariff for protection is well known. It is not always easy, however, to distinguish a revenue duty from a protective duty. It may be said that in most tariffs there is a combination of the two kinds of duties in order to achieve the dual objectives of revenue and protection.

In seeking to analyse the incidence of the cost of the tariff on Nova Scotia, and other provinces of the Dominion, it is important at the outset to determine whether tariff duties on imports actually paid in at customs houses are to be included among the costs of the tariff. Opinions may differ upon this point, but in the analysis which follows we have been influenced by the conclusion reached by the Committee of Economic Inquiry on the Australian Tariff, 1929, which was to the effect that "The amount paid in duty on imports of protected commodities is not to be reckoned crudely as a cost of protection, as it is required for Government expenses, though the method of taxation is open to criticism." If the duties actually collected on imports are excluded from the analysis, it is quite evident that the monetary costs of protection are to be regarded as the excess prices which consumers in the various provinces presumably pay for domestic products because of tariff duties levied on imports of similar commodities. In the same manner, if we seek to estimate in

monetary terms the advantages of the protective tariff to producers, we must calculate the amount received by producers in the respective provinces in excess prices presumably charged on goods for which they are afforded protection against foreign imports.

In estimating the effect of the Canadian tariff on Nova Scotia, it is necessary, therefore, to consider this community in its producing and consuming aspects. A protective tariff is designed, principally, to assist producers. In the attainment of this object, consumers are penalized to the extent that protection given to producers results in higher prices for the commodities protected than would be paid otherwise for the same commodities if imported from abroad. In considering the net effect of the Canadian tariff on Nova Scotia, it is necessary to estimate—

(1) The total loss to consumers in Nova Scotia because of the enhanced prices they are presumably compelled to pay for the protected commodities they purchase from year to year.

(2) The total monetary gain to protected manufacturers in Nova Scotia through the enhanced prices they presumably receive from year to year because of the protective tariff.

When these totals have been estimated, the difference between them will represent a rough measure in monetary terms of the direct gain received, or loss suffered by the community, under the protective tariff.

It should be noted that this analysis does not assume to contrast the economic position of Nova Scotia, under the alternative policies of protection and free trade. Rather it presumes the existence of the protective system in the Dominion, and seeks to discover its net effect from year to year on the economy of Nova Scotia as a province operating within the fiscal structure of the Dominion. It will assist in determining whether Nova Scotia is bearing a disproportionate burden of the cost of the protective system to the Dominion as a whole.

AN ESTIMATE OF THE PROVINCIAL DISTRIBUTION OF TARIFF SUBSIDIES AND TARIFF COSTS

It has been indicated that in addition to its effects in increasing or decreasing the national income the tariff operates internally as an instrument by which the distribution of that income among individuals and among sections of the country is modified or biased. The economic effects of the tariff are often obscure and only lend themselves to analysis in very general terms. The internal monetary effects of this tariff are expressed more easily in concrete terms. In a federation the analysis of such effects is of particular significance inasmuch as the provinces are distinct entities and the provincial incidence of the tariff may throw light on the relative

taxable capacity of the several provinces as well as indicating the immediate monetary effects of the tariff on the income of individual provinces.

The task of making this computation presents a number of difficulties which ought to be mentioned at the outset in order to suggest such qualifications as may be necessary. It must be recognized that an exact calculation of the gains and losses under the protective tariff is rendered impossible by the lack of statistical detail. Any exact measurement, for example, of the enhanced prices paid by consumers in any one province, as a result of the protective tariff, would require accurate and detailed information as to the consumption of a wide classification of manufactured goods in that province. It would also require accurate and detailed information respecting the prices at which these goods were sold to consumers in that particular province, as compared with the prices at which they could be imported if the protective duties were removed. Such information, in the detail indicated, does not now exist either in the Bureau of Statistics or in any Department of the Dominion Government.

But the impossibility of obtaining an *exact* measurement of the incidence of the tariff upon the several provinces is no reason why an attempt should not be made to secure an approximate result within the range of existing statistical knowledge. The conclusions reached by an analysis of this kind are of less importance in relation to exact monetary effects than as indicating the proportionate burden of the tariff upon the several provinces of the Dominion. For the latter purpose it is submitted that the analysis which follows will throw considerable light upon this aspect of the effects of the tariff upon the various provinces of the Dominion.

Provincial Distribution of Tariff Subsidies.

The procedure adopted to determine the provincial distribution of tariff subsidies is as follows:

- (1) The first figure to be obtained is one which represents the total gross value of goods manufactured in Canada in a given year (1931), which are also consumed in Canada. This figure is obtained by taking the gross value of goods manufactured in Canada in 1931, viz. \$2,698,461,862 and subtracting from it the gross value of the exports of manufactured goods, viz. \$350,166,608. The figure thus obtained is \$2,348,295,254.
- (2) The total obtained from the above calculation represents the gross value of goods of Canadian manufacture consumed in Canada in 1931. This total, however, includes certain classes of manufactured goods which are not subject to tariff duties, viz. printing and publishing, dyeing and cleaning, sawmills, bread and other baking products, central electric stations. The gross value of these classes of manufactured goods consumed in Canada in 1931 was \$286,508,213. This amount must be deducted from the first total in order to obtain the gross value of *protected* goods manufactured and consumed in Canada. The figure thus obtained is \$2,061,787,041.

- (3) The above total represents the gross value of protected goods manufactured and consumed in Canada in 1931. It includes therefore the price increase due to the operation of the protective tariff. The best available measure of the price increase due to the tariff is the average ad valorem duty on all dutiable imports into Canada. This average as calculated by the Dominion Bureau of Statistics for 1931 is 26%. On this basis the total given above, viz. \$2,061,787,041 is 126% of the total gross value of protected goods manufactured and consumed in Canada in 1931 valued at competitive world prices. In order to obtain a figure which can be used legitimately as a base for the computation of the enhancement of prices due to the tariff it is necessary therefore to take $\frac{100}{126}$ of the total given above. This calculation gives a figure of \$1,636,338,921 representing the gross value of protected goods manufactured and consumed in Canada in terms of competitive world prices, i. e., the prices at which similar imports could be purchased free of duty.
- (4) It is necessary to determine the total amount of the tariff subsidy on the gross value of protected goods manufactured and consumed in Canada. As previously stated, since it is impossible to obtain exact information upon individual items with the existing statistical information, it seems reasonable to adopt as a measurement of the enhancement of prices due to the tariff a figure which represents the average ad valorem duty on all dutiable imports into Canada in 1931, viz. 26%. When this percentage is applied to the last total in the preceding section, the result will represent the total tariff subsidies in the form of enhancement of prices of protected goods manufactured and consumed in Canada, this enhancement of prices being the result of the protection afforded to Dominion manufactures against foreign imports of similar commodities. The figure obtained by this calculation is \$425,448,119.
- (5) The next step is to determine how this last total of tariff subsidies to manufacturing industries in the Dominion as a whole is distributed among the various provinces. It would appear that the most reasonable method of determining the distribution of this tariff subsidy among the provinces would be to divide it among them on the basis of the proportionate amount of salaries and wages paid out in the respective provinces by the protected industries. This method of division, it may be noted, was recommended and adopted by the Special Committee of Economic Inquiry on the Australian Tariff in 1929. On the basis adopted, the provincial distribution of tariff subsidies is as follows:

Province	Percentage of Distribution %	Estimated Tariff Subsidies to Protected Manufacturers \$
P. E. Island.....	.11	467,992
Nova Scotia.....	2.23	9,487,493
New Brunswick.....	1.91	8,126,059
Quebec.....	31.23	132,867,447
Ontario.....	58.88	220,722,484
Manitoba.....	4.68	19,910,971
Saskatchewan.....	.77	3,275,950
Alberta.....	1.93	8,211,148
British Columbia & Yukon.....	5.26	22,378,571

- (6) In order to indicate more clearly the comparative position of the several provinces in relation to tariff subsidies, it is desirable to place these subsidies on a per capita basis. The final result will represent the provincial distribution of tariff subsidies on a per capita basis as follows:

Province	Total Tariff Subsidy \$	Population	Tariff Subsidy per capita \$
P. E. Island.....	467,992	88,038	5.32
Nova Scotia.....	9,487,493	512,846	18.50
New Brunswick.....	8,126,059	408,219	19.91
Quebec.....	132,867,447	2,874,255	46.23
Ontario.....	220,722,484	3,431,683	64.32
Manitoba.....	19,910,971	700,139	28.44
Saskatchewan.....	3,275,950	921,785	3.55
Alberta.....	8,211,148	731,605	11.22
British Columbia and Yukon...	22,378,571	698,493	32.03

Provincial Distribution of Tariff Costs.

The procedure adopted to determine the provincial distribution of the costs of the Canadian tariff is as follows:

- (1) In determining the provincial distribution of the costs of the Canadian tariff, the initial figure to be used is that obtained in item "2" of the previous computation; namely, the gross value of protected goods manufactured and consumed in Canada in 1931—\$2,061,787,041.
- (2) It is necessary to determine the provincial consumption of protected goods manufactured and consumed in Canada. One possible basis upon which to measure the provincial consumption of goods is that of comparative population. This would be unreliable, however, because of the

different habits and rates of consumption prevailing in the several provinces. The most accurate index of the varying rates of provincial consumption is afforded by the statistics of retail sales in Canada and its provinces as published by the Dominion Bureau of Statistics. On the basis of these figures the rates of provincial consumption in the various provinces are as follows:

P. E. Island.....	.48%
Nova Scotia.....	3.71%
New Brunswick.....	3.03%
Quebec.....	23.78%
Ontario.....	39.66%
Manitoba.....	6.86%
Saskatchewan.....	6.87%
Alberta.....	6.56%
British Columbia.....	8.87%
Yukon & N. W. Territories.....	.11%

- (3) The next step in the calculation is to apply these percentages, representing provincial rates of consumption, to the total figure representing the gross value of protected goods manufactured and consumed in Canada, viz. \$2,061,787,041. The results thus obtained indicate the consumption of protected goods of Canadian manufacture in the various provinces:

P. E. Island.....	\$ 9,896,577
Nova Scotia.....	76,492,299
New Brunswick.....	62,472,147
Quebec.....	490,292,958
Ontario.....	817,704,740
Manitoba.....	141,438,591
Saskatchewan.....	141,644,769
Alberta.....	135,253,229
British Columbia.....	182,880,510

- (4) In order to obtain the figures representing the cost of the tariff in each province in terms of enhancement of prices due to protection the same procedure is followed as in items "3" and "4" of the preceding computation. When the comparative world prices are computed and the average ad valorem duty of 26% in 1931 is applied to the results thus obtained the following tabulation sets out the provincial distribution of the cost of the tariff in terms of enhancement of prices to consumers in the various provinces:

Province	Enhancement of Prices due to tariff
P. E. Island.....	\$ 2,042,150
Nova Scotia.....	15,784,124
New Brunswick.....	12,891,077
Quebec.....	101,171,562
Ontario.....	168,732,723
Manitoba.....	29,185,740
Saskatchewan.....	29,228,285
Alberta.....	27,909,396
British Columbia.....	37,737,247

- (5) In order to indicate more clearly the comparative position of the several provinces in relation to tariff costs, it is desirable to place such costs on a per capita basis. The following table gives the computation of the per capita distribution of tariff costs by provinces for the year 1931:

Province	Enhancement of Prices due to Tariff	Per capita Tariff Costs
P. E. Island.....	\$ 2,042,140	\$23.20
Nova Scotia.....	15,784,124	30.78
New Brunswick.....	12,891,077	31.58
Quebec.....	101,171,562	35.20
Ontario.....	168,732,723	49.17
Manitoba.....	29,185,740	41.69
Saskatchewan.....	29,228,285	31.71
Alberta.....	27,909,396	38.15
British Columbia.....	37,737,247	54.36

RECAPITULATION

Comparison of Tariff Subsidies and Tariff Costs by Provinces

The position of the various provinces in relation to gains and losses suffered by the tariff is set out in the following table which gives for each province separately the per capita tariff subsidy and the per capita tariff costs:

Province	Tariff Subsidy per capita \$	Tariff Costs per capita \$	Net Gain per capita \$	Net Loss per capita \$
P. E. Island.....	5.32	23.20		17.88
Nova Scotia.....	18.50	30.78		12.28
New Brunswick.....	19.91	31.58		11.67
Quebec.....	46.23	35.20	11.03	
Ontario.....	64.32	49.17	15.15	
Manitoba.....	28.44	41.69		13.25
Saskatchewan.....	3.55	31.71		28.16
Alberta.....	11.22	38.15		26.93
British Columbia.....	32.03	54.36		22.33

The Significance of the Comparison

It is desirable to emphasize again that this table representing the provincial distribution of tariff subsidies and tariff costs is chiefly valuable as an indication of a condition. It is not an exact statement of the effects of the tariff upon the incomes of the several provinces of the Dominion. It does not indicate the tendency of the tariff to contract the income of export industries by reason of the increase in costs of production of such industries. It does emphasize, however, the effect of the tariff upon the internal distribution of the existing national income.

It is the tendency of the tariff to increase the money incomes of all protected industries. By their potential ability to raise prices by the extent of the duty on imports the protected industries are given command over a larger portion of the income of the community than they would enjoy without such tariff protection. It is equally the tendency of the tariff to raise the internal prices of protected goods and therefore to lower the purchasing power of all money incomes. Owing to the concentration of protected manufactures in Ontario and Quebec these two provinces profit most by the increase in money incomes and are the only provinces where the increase in money incomes is greater than the added charges imposed on all incomes by the effect of the tariff in enhancing the prices of protected goods. In the remaining seven provinces money incomes are increased by the tariff in so far as these provinces possess protected industries. But in these provinces the increase in money incomes due to the tariff is more than offset by the charges on all incomes due to the enhancement of the internal prices of protected goods. In other words the Canadian tariff has in fact imposed a heavy net charge on the annual incomes of seven of the nine provinces of the Dominion. This net charge on the incomes of these seven provinces goes to swell the money incomes of Ontario and Quebec.

It is also important to note that the per capita net gain attributed to Ontario and Quebec does not imply that the increase in the money incomes of these provinces is evenly distributed as between different classes of producers. The precise distribution of the gain in these provinces is not relevant to the present analysis. Nevertheless, the effect of the tariff in increasing money incomes in Ontario and Quebec is significant because a federal government presupposes the existence of the provinces as distinct entities, and the ability of a province to discharge its constitutional obligations depends upon the vitality of its economic life. If national policies have a tendency to enrich the economy of two provinces at the expense of the remainder, this fact is of the utmost importance as determining the wisdom or unwisdom of the policies in question and also in its bearing upon the constitutional and financial relationships of the Dominion and the provinces.

It may be contended that the value of the computation of the provincial incidence of the tariff is vitiated by the fact that there is no reason to believe that 26% is an accurate measure of the effect of the tariff in enhancing prices of protected manufactures. It has already been acknowledged that existing statistical information does not permit an exact calculation of the effect of the tariff on prices.

The figure of 26% was taken because it was the flat rate of average ad valorem duties on dutiable imports in 1931. But suppose the measurement of average enhancement of prices were 20% instead of 26%. The only difference would be in the absolute amounts and not in the relative distribution between provinces. The relative disparity between Ontario and Quebec as opposed to the other provinces would still remain. It would still be true that Ontario and Quebec would show the only surplus of manufacturers' tariff subsidies over consumers' tariff costs, and that the other provinces would show uniformly a substantial deficit of consumers' tariff costs as compared with manufacturers' tariff subsidies. The difference would be merely one of reducing the figures in all the columns without altering the essential relationships of the two groups of provinces. Moreover, a more detailed analysis of the manufacturing industries in the various provinces would indicate that the favourable effect of the tariff on the incomes of the provinces would be confined even more exclusively to Ontario and Quebec than the given computation suggests. The most highly protected industries such as textiles, motor cars, iron and steel wares, electrical supplies, boots and shoes, etc. are heavily concentrated in Ontario and Quebec. In the other provinces a large proportion of the protected industries which have been included in this calculation are of a class which receive lower rates of effective protection which are likely to have an effect on prices, such as pulp and paper, butter and cheese, fish, canneries, flour and feed mills. Unfortunately, it is impossible without a complete survey of consumption and comparative prices to make such a detailed analysis for all of the provinces. The estimate of the effect of the tariff on Nova Scotia which follows will indicate at least the result which would attend such an analysis if applied to the other provinces whose economic progress has been prejudiced by the Canadian tariff.

THE INCIDENCE OF THE PROTECTIVE TARIFF ON THE INCOME OF NOVA SCOTIA

By segregating the figures of the above analysis, which apply to Nova Scotia, it is possible to present a recapitulation which will indicate the effect of the Canadian tariff on manufactured goods upon the income of this province for the given year 1931.

Total tariff costs in terms of enhancement of prices to consumers in	
Nova Scotia	\$15,784,124
Total tariff subsidies in terms of enhanced prices chargeable by	
manufacturers of Nova Scotia	9,487,493
Net loss	6,296,631

THE TARIFF SUBSIDY TO THE NOVA SCOTIA COAL INDUSTRY

It will be noted that thus far the computation of tariff costs and tariff subsidies has applied only to manufactured goods. In any examination of the effect of the tariff on Nova Scotia, however, it must be recognized that it was, and is, a central feature of the National Policy to afford protection to the important coal industry of Canada, which is largely concentrated in Nova Scotia. In computing the total tariff subsidy for Nova Scotia, therefore, it is necessary to add the subsidy made available to the producers of coal in this province. Similarly, the item of coal-consumption must be included in the computation of tariff costs in terms of enhancement of prices to consumers.

The production and geographical distribution of Nova Scotia coal in the year 1931 was as follows:

Market	Tonnage Sales
Nova Scotia (including colliery consumption).....	1,505,087
New Brunswick.....	646,071
Newfoundland.....	133,373
Prince Edward Island.....	83,640
St. Lawrence Ports.....	1,835,524
St. Pierre.....	1,763
United States.....	36,341
Bunker.....	174,236

Excluding exports, and applying the specific duty of seventy-five cents per ton under the general tariff to the coal marketed in the St. Lawrence area, and fifty cents per ton under the British preference to coal marketed in the Maritime Provinces, the total tariff subsidy on coal in Nova Scotia amounted in 1931 to \$2,571,060. During the same year the tariff costs on coal paid by consumers in Nova Scotia (estimated on the basis of the duty under the British Preference) amounted to \$752,543. Adding these figures to the appropriate items of the previous recapitulation, the final calculation of tariff subsidies and tariff costs in Nova Scotia (including coal) is as follows:

Total tariff costs in 1931.....	\$16,536,667
Total tariff subsidies in 1931.....	12,058,553
Net Loss.....	4,478,114

SUMMARY

In estimating the significance of this analysis of the effects of the Canadian tariff on the income of Nova Scotia, it is important to emphasize a number of additional considerations.

- (1) The net loss referred to in the recapitulation is an *annual* charge on the income of the province. The computation is for the given year 1931, but the basic features of the analysis have existed since the inauguration of the National Policy—or for a period of fifty-five years. While the actual extent of the loss has varied from year to year with changes in the volume of manufacturing and in habits of consumption, the conclusion is inescapable that the effect of the tariff upon the income of the province has always been adverse. The loss has been cumulative in its results.
- (2) While the net loss referred to in the final recapitulation is admittedly an estimate, it is as accurate as was possible with the range of available statistical information. If the material for a more detailed analysis were available, it would doubtless be found that the computation gives an understatement of the true situation. For example, in the section dealing with the tariff subsidies on coal, the specific duty of seventy-five cents per ton under the general tariff was used in calculating the tariff subsidy on coal marketed in the St. Lawrence area. This was the proper measurement for the year 1931, but prior to that year, from 1879 until 1930, the duty under the general tariff was about fifty cents per ton. Thus, during the earlier period, the tariff subsidies on coal would have been substantially less on the same tonnage, and the net loss figure correspondingly higher. Moreover, in the computation of tariff subsidies enjoyed by manufacturers of Nova Scotia, the same measurement (26%) was used as in the general computation for the whole of Canada. As a matter of fact, however, a large proportion of the manufactures of Nova Scotia belong to categories which carry rates of duty considerably less than 26%. The only categories carrying higher rates of duty are those which fall within the textile and iron and steel schedules. In the year 1931 these highly protected manufactures accounted for only 27% of the total manufactured products of the province. In view of these considerations, it would appear that the final figure in the recapitulation is a minimum estimate. It is reasonable to conclude that annual charges on the income of the province due to the spread between producers' tariff subsidies and consumers' tariff costs, would be considerably in excess of \$5,000,000.
- (3) Judging by the marked decline of manufacturing industries in Nova Scotia during the past thirty years, and the several important casualties of the current period of economic depression, the continuance of the present fiscal policy of the Dominion will be accompanied, in this province, by a widening of the present unfavorable spread between consumers' tariff

costs and producers' tariff subsidies. A community with rapidly expanding export industries might endure this annual heavy charge on income without any readily perceptible injury to its economic welfare. In Nova Scotia, however, the condition of rapidly expanding export industries does not obtain. Laboring under the heavy costs of production imposed by the tariff, these industries have experienced great difficulty in maintaining their position, and in some cases have declined absolutely. In this situation a widening of the unfavorable spread between tariff costs and tariff subsidies must result inevitably in a steadily declining standard of living for an increasing proportion of our population, unless and until some effective remedies can be found for the economic disabilities of the province.

- (4) Finally, it must be emphasized again that the foregoing analysis of the incidence of the tariff is not concerned with the duties paid by the people of this or any other province, on goods actually imported from foreign countries. These duties, whether wisely or unwisely imposed in particular instances, have been regarded as a contribution to the national revenue for the maintenance of national services. The analysis of the provincial incidence of the tariff is concerned solely with the effect of the tariff upon the prices of goods produced and consumed within the Dominion of Canada.

CHAPTER IX.

THE TARIFF IN RELATION TO THE EXISTING DISTRIBUTION OF INDUSTRIAL ACTIVITY IN NOVA SCOTIA

While all consumers share alike in the costs of the protective tariff to the extent of their purchases, the tariff subsidies are only enjoyed by a limited group of producers. Moreover, it is to be observed that the costs of the Canadian tariff press with great weight upon producers who are obliged to sell their products outside the protected home market or at prices based upon world prices. An analysis of the industrial life of Nova Scotia as disclosed by the last census indicates that a relatively small proportion of its gainfully employed population participates directly in the tariff subsidies received by protected producers.

The present state of manufacturing in Nova Scotia is revealed in a compilation of the answers given to Question 4 of the Questionnaire addressed to incorporated cities and towns within the province. This information will be found in Appendix A.

The following tables give the statistics of the leading manufacturing industries of the province of Nova Scotia as revealed by the Dominion Census of 1931. A more detailed census survey of existing manufacturing establishments in the province will be found in Appendix A.

MANUFACTURING STATISTICS OF THE MARITIME PROVINCES, 1931

Statistics of the Leading Industries of the Province of Nova Scotia, 1931

Industries	Estab- lish- ments	Capital Invested	Em- ployees	Salaries and Wages	Cost of Materials	Gross Value of Products
	No.	\$	No.	\$	\$	\$
Primary iron and steel.	6	18,430,500	1,849	1,880,158	3,427,289	8,215,412
Fish Curing and packing.	207	3,419,681	1,699	1,042,461	3,878,869	5,901,891
Pulp and paper.	6	12,796,553	610	893,057	1,892,275	4,777,752
Central Electric stations.	79	28,328,512	786	1,002,111	.....	3,954,148
Railway rolling stock.	3	6,303,482	408	498,943	2,696,572	3,889,486
Butter and cheese.	30	1,266,472	314	342,294	1,776,886	2,714,244
Biscuits, confectionery, etc.	10	4,816,529	914	922,080	931,672	2,651,868
Sawmills.	635	2,557,552	1,640	566,980	1,222,618	2,460,753
Printing and publishing.	32	2,283,645	687	892,003	363,679	2,054,950
Hosiery and knitted goods.	3	2,093,249	607	461,800	842,961	1,656,385
Bread and other Bakery products.	73	965,702	408	347,208	732,962	1,626,623
Shipbuilding and repair.	11	3,447,758	528	618,273	365,731	1,437,777
Castings and forgings.	15	2,459,714	518	636,483	453,741	1,435,299
All other leading Industries (1).	6	20,529,927	1,033	1,394,596	9,700,689	15,569,765
Total Leading Industries.	1,116	109,699,276	12,001	11,498,447	28,285,944	58,346,368
Total, All Industries.	1,449	129,824,727	16,175	14,881,673	33,288,250	70,679,503

(1) Includes Coke and gas products, Petroleum products, Sugar Refineries and Breweries.

It will be seen from the above table, and from the more extensive analysis of manufacturing establishments in Nova Scotia given in the Appendix that a very considerable proportion of manufacturing now carried on within the province is of a character which is not dependent upon tariff protection and is, in fact, placed under a severe handicap through the incidence of the general tariff. Of the principal manufacturing industries listed in the above table, those which are directly dependent upon tariff protection are as follows:—

Primary Iron and Steel
 Railway Rolling Stock
 Biscuits and Confectionery
 Hosiery and Knitted Goods (Textiles)
 Castings and Forgings
 Other industries including sugar refining
 and oil refining.

Employment in these establishments which are directly dependent upon the protective tariff amounted in 1931 to 5,329 or to about 45% of the total employment of the leading manufacturing industries in the province. As for the remaining manufacturing industries listed in the above table, they are either directly dependent upon export markets, such as fish-curing and packing, pulp and paper, sawmills, or are largely dependent upon world prices, as illustrated by such commodities as butter and cheese, bread and other baking products. The remaining leading manufacturing establishments, including central electric stations, printing and publishing firms, and shipbuilding and repairs, cannot be said to depend in any direct way upon the existence of the protective tariff.

A careful examination of the detailed statistics of manufacturing in Nova Scotia afforded by the census of 1931, leads to the conclusion that less than 50% of the total manufacturing activity of the province in terms of employment can be said to benefit under the protective tariff through the assurance of a home market for manufactured commodities. The remaining and larger proportion of manufacturing activity in Nova Scotia is dependent in the main upon export markets, and is handicapped in selling in these markets as the result of the incidence of the general tariff upon costs of production. In other words, the Canadian tariff has not only failed on balance to stimulate the manufacture of protected commodities in Nova Scotia but has imposed a severe burden upon those manufacturing industries which are dependent in the main upon foreign markets.

Up to this point the protective tariff has been considered in relation solely to manufacturing activity in the province of Nova Scotia, inasmuch as the primary object of the National Policy was to encourage the growth and expansion of manufacturing establishments in Canada. It is important to observe, however, that manufacturing is by no means the most substantial industry in the province. The following table, based upon the census of 1931, indicates the occupational distribution of the gainfully employed population of Nova Scotia, and shows the relative importance of industries other than manufacturing in the economic life of the province:

DISTRIBUTION OF GAINFULLY EMPLOYED BY INDUSTRY GROUPS NOVA SCOTIA

	Total	Male	Female
All Industries.....	181,083	153,139	27,944
Agriculture.....	43,931	42,607	1,324
Forestry, Fishing, Trapping, Mining, Quarrying, Oil & Salt Wells.....	16,981	16,941	40
Manufacturing.....	18,939	16,814	2,125
Electric Light & Power.....	814	761	53
Construction.....	11,367	11,293	74
Transportation & Communication (not including Postal Service).....	15,145	14,163	982
Trade.....	15,202	11,606	3,596
Finance.....	2,286	1,756	530
Service.....	31,871	12,815	19,056
Unspecified.....	10,351	10,244	107

Proportional Distribution.

	%	%	%
All Industries.....	100.00	100.00	100.00
Agriculture.....	24.26	27.82	4.73
Forestry, Fishing, Trapping.....	7.83	9.23	0.20
Mining, Quarrying, Oil & Salt Wells.....	9.37	11.06	0.14
Manufacturing.....	10.45	10.97	7.60
Electric Light & Power.....	0.44	0.49	0.18
Construction.....	6.27	7.37	0.26
Transportation and communication.....	8.36	9.24	3.51
Trade.....	8.39	7.57	12.86
Finance.....	1.26	1.14	1.89
Service.....	17.6	8.36	68.19
Unspecified.....	5.71	6.68	0.38

An examination of these tables reveals the fact that only 10.45% of the gainfully employed population of Nova Scotia is actually engaged in manufacturing. It has already been indicated that less than one-half of the number engaged in manufacturing are employed in establishments which are directly dependent upon the protective tariff. As to the other occupational groups listed above, the only one which can be described as partially dependent upon protective tariff is that of

"mining, quarrying, oil and salt wells." This group affords employment to 9.37% of the gainfully employed population of the province. It would thus appear to be a conservative estimate that not more than 15% of the gainfully employed population of Nova Scotia is engaged in forms of production in which there is a *prima facie* assumption of direct benefit from the protective tariff. Some part of the remaining 85% of the gainfully employed population of the province undoubtedly derives indirect benefits from the protected industries. By far the greater number, however, derive their livelihood from occupations in industries which lie outside the shelter of protection, and are, in fact, greatly handicapped by the effect of the protective tariff on their costs of production.

THE EFFECTS OF THE TARIFF ON PRIMARY AND EXPORT INDUSTRIES

It is important to observe that the loss suffered by Nova Scotia under the protective tariff is a persistent drain upon its resources, which has continued at a varying rate from the inception of the National Policy, and has had a cumulative effect upon the industrial and commercial life of the province. The burden of excessive costs upon the export industries of Nova Scotia has been especially heavy inasmuch as these industries are compelled to sell their products in the competitive markets of the world, and are unable, therefore, to pass on their excess costs to consumers within home markets.

It will be possible to measure in approximate terms the handicap of the tariff upon such export industries as lumbering, fishing, apple-growing, and other forms of agricultural production. The excessive costs of the tariff enter into the cost of living and thereby into wages, and also into equipment and machinery of production. Industries producing for the home market can generally pass on excessive costs through successive stages to the ultimate consumer, but export industries, from the very nature of their market are unable to do so. To quote from the Report of the Committee on the Australian Tariff in 1929: (1)

"In a growing community, with production marching more or less with the needs of a growing population, the effects would have to be very bad indeed to reduce production in any particular industry; they are only less bad if they prevent the natural growth of production in any industry. The natural tendency in a new country is for all industries to grow unless very seriously handicapped, obscuring the effect of the tariff to the superficial view."

Canada, like Australia, is a comparatively new country, but it has to be remembered that the export industries of Nova Scotia have been under the incubus of excess tariff costs for more than half a century. The cumulative effect of this excess cost has been a severe handicap upon these industries. It is not without significance that in the three counties of the Annapolis Valley which depend largely

(1) The Australian Tariff, An Economic Inquiry, p. 24.

upon the sale of their apple crop in export markets, the mortgage indebtedness is much more severe than in any other counties in the province. The weight of this debt is revealed in the following table. Unquestionably, the excess costs of the tariff are responsible for a considerable proportion of this debt burden:

Mortgage Indebtedness 1931.	Unit	Annapolis	Hants	Kings
Mortgage Indebtedness on fully owned farms				
Number of farms reporting mortgage debt	No.	599	481	1,045
Per cent of total number of fully owned farms.....	%	28.99	22.76	37.40
Acreage of farms reporting mortgage debt.....	Ac.	88,932	73,813	105,113
Value of farm property (land & bldgs.)...	\$	2,591,500	1,752,000	6,236,900
Amount of mortgage debt.....	\$	1,002,400	685,200	2,687,300
Ratio of mortgage debt to value.....	%	38.68	39.11	43.09
Average value of farm property per acre	\$	29.14	23.74	59.34
Average amount of mortgage debt per acre.....	\$	11.27	9.28	25.57

Having regard to the dependence of lumbering, fishing and certain branches of the agricultural industry upon export markets and world prices, it is a tribute to the resources of these industries, and the tenacity of the people engaged in them, that they have been able to carry on. The burden levied upon them for the last fifty-five years through the excess costs of the tariff has been a serious handicap and a constant drain upon the income derived from their operations. When it is remembered that the market for Nova Scotia agricultural products in Central Canada is negligible, and that the people of this province are compelled to buy protected manufactures from Central Canada to supply most of their wants, it is not stretching the truth to say that a large proportion of the population has been compelled to purchase goods in an expensive protected market with the proceeds of exports sold in the competitive markets of the world. The money income received from the sale of exports shrinks in purchasing power the moment it is converted into Canadian currency.

CHAPTER X.

THE INTER-RELATION OF TARIFF POLICY AND TRANSPORTATION HANDICAPS.

In addition to the injury suffered by Nova Scotia under the incidence of the protective tariff, there are handicaps arising from the inter-relation of tariff policy and freight rates, which have aggravated the difficulties of the Maritime Provinces, and of Nova Scotia in particular. It has been pointed out that the protective tariff, as applied to a country of great length and of narrow breadth, has encouraged an immoderate concentration of manufacturing in the central provinces of Ontario and Quebec. As a result the consumer in Nova Scotia is not only prevented from availing himself of the geographical advantage of the province in relation to purchases in foreign markets accessible by water, but is also placed under a relative disadvantage as against consumers in Ontario and Quebec because of the added freight rates on the purchases he is compelled to make in the home market by reason of the long rail haul from the factories of central Canada to the Atlantic seaboard. Consumers in Ontario and Quebec are either relieved of these charges, or they are of slight importance as an element in the cost of the goods purchased. In Nova Scotia the element of freight rates in the purchase price of goods is simply another illustration of the unequal effects of the protective tariff in a country so situated as Canada.

When it is stated that these transportation costs press with disproportionate weight on the consumers of Nova Scotia, it must be remembered, also, that these costs are elements as well in the relative cost of production of agricultural and other products in central Canada and Nova Scotia. The following table illustrates the effect of this disadvantage in relation to a number of important commodities which enter into agricultural production:

FEED RATES

		Rate	Per Ton		
Melville, Sask. to Port Arthur, Ont.		19c	\$3.80		
		Lake and Rail Normal Rate	Special Rates in Summer 1933	Per Ton	Per Ton from Melville, Sask.
Port Arthur to	Woodstock, Ont.	25c	20c	\$4.00	\$7.80
	Morrisburg, Ont.	25c	20c	4.00	7.80
	Howick, Que.	29c	22c	4.40	8.20
	Shubenacadie, N. S.	42c	37c	7.40	11.20

CEMENT RATES

	Summer	Normal
Montreal, Que. to Amherst, N. S.	30c
Truro, N. S.	31½
Shubenacadie, N. S.	32½
Pictou, N. S.	32½
Halifax, N. S.	25c	34½

AUTOMOBILE RATES

		Passenger minimum 10,000 lbs. first class Carload rate	Charges based on 3 cars in carload	Trucks minimum 12,000 lbs. second class Carload rate	Charges based on 3 cars in carload
Windsor, Ont. to	Woodstock, Ont. ....	.61½	\$20.50	.54	\$21.60
	Morrisburg, Ont.	1.00½	33.50	.88	35.20
	Howick, Que.	1.15	38.33	1.00½	40.20
	Shubenacadie, N. S.	1.44	48.00	1.25½	50.20
Oshawa, Ont. to	Woodstock, Ont. ....	.65	21.66	.58	22.13
	Morrisburg, Ont. ....	.72	24.00	.63	25.20
	Howick, Que. ....	.90	30.00	.79	31.60
	Shubenacadie, N. S.	1.19	39.75	1.04	41.60

MACHINERY RATES

(Agricultural and mill machinery, etc.)

Minimum 20,000 to 30,000 pounds

		Fifth Class	Sixth Class
Toronto, Ont. to	Morrisburg, Ont. ....	.37½	.34½
	Howick, Que. ....	.45½	.41½
	Halifax, N. S. ....	.59½	.55½
Brantford, Ont. to	Morrisburg, Ont. ....	.43	.40
	Howick, Que. ....	.50	.47
	Halifax, N. S. ....	.65	.61½

The following table indicates the disparity in the prices of farm implements in Ontario and in Nova Scotia. This disparity is largely accounted for by the additional cost of transportation on these farm implements when carried by rail to Nova Scotia:

	Nova Scotia	Ontario
No. 7— 350 lbs. Cream Separator.....	\$ 89.00	\$ 87.00
No. 7— 500 lbs. “ “	96.50	94.50
No. 7— 750 lbs. “ “	112.00	110.00
No. 7—1000 lbs. “ “	127.00	125.00
General Purpose Tractor—Four-wheel-drive.	1,040.00	1,020.00
No. 14— 9 Th. Harrow, with Handles.....		20.75
No. 14— 9 “ “ less “	20.25	19.25
No. 15—15 “ “ Spring Tooth.....	32.00	30.50
No. 14—17 “ “ “	35.50	33.50
Centre Section, 9th for No. 14 Harrow.....		16.25
No. 11—Orchard Disc Harrow.....	58.50	55.00
Extension Frame for No. 11 Harrow.....		7.00
No. 5B Plow.....	21.00	20.00
No. 8—One-Horse Plow.....	19.00	18.00
No. 12B Plow, Heavy with Gauge Wheel.....	22.75	21.75
Corona Side Hill Plow.....	23.00	21.50
Farm Dump Cart, 4 x $\frac{1}{2}$ Tire.....	87.50	82.50
One-Horse, Gear, 3 x 9, 2 x $\frac{1}{2}$	78.50	75.50
2 Horse Gear, 34 x 10c, 2 $\frac{1}{2}$ x $\frac{1}{2}$ tire.....	100.00	95.00
No. 6 Spreader.....	123.00	117.00
No. 8 Spreader.....	159.00	149.00
Kerosene Engine, 1 $\frac{1}{2}$ H. P.....	71.00	71.00
“ “ 3 H. P.....	97.00	94.00
No. 3, 30 Th. Steel Rake.....	49.50	47.50
No. 7, 24 “ “ “	49.50	46.50
No. 7, 30 “ “ “	52.50	49.50
No. 3, 6 fork Hay Tedder.....	75.00	71.00
No. 22-B, Mower, 4 $\frac{1}{2}$ ft. cut.....	86.00	78.00
No. 22-B, “ 5 “ “	87.00	79.00
No. 24-B, “ 3 $\frac{1}{2}$ “ “	81.50	76.00
No. 24-B, “ 4 “ “	82.50	77.00
No. 1 Wheelbarrow.....	6.50	6.50
No. 2, 3 and 4 Wheelbarrows.....	7.00	7.00
No. 5 Wheelbarrow.....	8.00	8.00
No. 1 Scuffler.....	12.75	12.25
No. 2 “	13.75	13.25
No. 3 Potato Planter.....		117.00
No. 3 “ “ with Fertilizer attachment.....	154.75	151.00
No. 1 Potato Digger, 6 ft. Ext. Elevator.....	147.00	140.00
No. 1 “ “ 6 “ Vine Turner.....		146.00
20-30 Tractor, “1929” model.....		925.00
20-30 Tractor, latest model.....	1,260.00	1,235.00

This handicap, arising in part from the inter-relation of tariff policy and freight rates, appears to have been recognized by the Royal Commission on Maritime Claims in 1926, although the phraseology used by the Commissioners would seem to suggest that it was recognized more particularly in relation to producers of the Maritime Provinces who wished to market their goods in Central Canada. In section 2 of the report of the Royal Commission, the following references may be quoted as bearing upon this question:

"In addition, the case which the Maritime Provinces have already submitted to the Railway Commission also raises the question of handicaps arising from the geographical position of their natural products and their distance, generally, from the central markets."

"We are far from suggesting that there should be interference on the part of the Railway Commission with the business judgment of the railway companies, or that there should be any confusion between trade development that can reasonably be expected from the railway rate structure, and trade development that must be a matter for public or government responsibility quite apart from rate structure."

"If the Railway Board is to be vested—as we think it should be—and we recommend that it should be—with the somewhat fuller supervisory responsibility that we have indicated, we think it should also be vested—and recommend accordingly—with power in weighing an application that raised these considerations, to order an accounting investigation at their own hand, into the incidence of the railway charge on the costs of production of commodity and its relationship to other costs, and to the general trading results of the interests involved. We wish to emphasize that this is a field of thought into which we have not carelessly wandered. It has been forced upon our attention by the geographical and other difficulties which the evidence we received from the Maritime Provinces made it clear parts of the country that were long distances from central markets were bound to suffer from."

It should be pointed out that the relative disadvantage suffered by Nova Scotia in respect of freight rates on heavy goods such as farm implements, automobiles and motor trucks, machinery, cement, feed, etc., does not arise from rate discrimination in the strict sense of that term. The whole question of freight rates in relation to the Maritime Provinces was investigated very thoroughly by the Royal Commission on Maritime Claims. That Commission was satisfied with the evidence supporting the contention of the Maritime Provinces that changes in rate structure subsequent to 1912 had been prejudicial and discriminatory to the Maritime Provinces. The Royal Commission recommended, accordingly, that an immediate reduction of 20% be made on all rates charged on traffic which both originated and terminated at stations in the Atlantic Division of the C. N. R. (including export and import traffic by sea, from and to that Division), and that the same reduction be also applied to the Atlantic Division proportion of the through rates on all traffic which originated at stations in the Atlantic Division (excluding import traffic by

sea) and destined to points outside the Atlantic Division. This recommendation, with some modifications, was implemented in 1927 by the Maritime Freight Rates Act. It should be noted, however, that the recommendation of the Commission and the legislation which sought to carry out its terms, did not afford relief to consumers in the Maritime Provinces who were obliged to make their purchases from Canadian factories situated outside the Atlantic Division of the railways. The real purpose of the Act was to improve the position of producers in the Maritime Provinces in meeting competition from Central Canadian manufacturers in the market of the Maritime Provinces, and also to improve the position of producers in the Maritime Provinces in competing in the markets of Canada, beyond the Atlantic Division of the railways. It is not denied that this legislation has been salutary in its effects, despite certain defects in its administration which will be dealt with elsewhere. It must be emphasized again, however, that the benefits accruing under the Maritime Freight Rates Act have not met the situation described in the preceding paragraphs. Many heavy commodities, such as agricultural implements, automobiles, motor trucks, cement, mining and mill machinery which are not manufactured in the Maritime Provinces must be brought in from factories situated in Ontario and Quebec. These heavy goods are of vital importance to the primary and export industries of this province. In respect of these goods high tariff rates present an almost insurmountable barrier to importation, while high transportation rates on such goods when purchased in Ontario and Quebec add to the difficulties of producers in Nova Scotia and place them under a disadvantage as compared with similar producers in Ontario and Quebec.

CHAPTER XI.

THE INTERNAL TRADING POSITION OF NOVA SCOTIA

The promotion of inter-provincial trade was one of the chief objects of federation, and at least an important subsidiary object of the National Policy. The producers of the Maritime Provinces were given the assurance of free access to the markets of Ontario and Quebec, and equally the producers of the latter provinces were assured access to the markets of New Brunswick, Prince Edward Island and Nova Scotia. The Intercolonial Railway was constructed with the avowed object of facilitating and expanding an inter-provincial movement of trade which it was predicted would be mutually advantageous to the two groups of provinces. Confederation has been in force for sixty-five years, and the National Policy of protection for Canadian industries has been in operation for fifty-five years. How have these purposes been fulfilled in relation to Nova Scotia. To what extent has this province realized the promise of a Canadian market for its products?

The importance of this question and the difficulties of supplying an answer to it were fully recognized by the Royal Commission on Maritime Claims. This is indicated by the following reference at page 44 of the Report:

"We have had brought before us the lack of any comprehensive measurement of the trade of the Maritime Provinces with other provinces and with foreign markets. We were ourselves disappointed not to be able to pursue investigations on trade matters along lines which such statistics would have enabled us to do. We found on inquiry at the Dominion Bureau of Statistics that consideration had been given some time ago to this very subject but, mainly through lack of organization in the statistics relating to certain phases of transportation, it was not possible to proceed with the plans that had been formulated. We strongly urge that these difficulties should be overcome, as they can be, and that on this phase of internal trade a system of statistics should be made regularly available from as early a date as possible."

Unfortunately, this recommendation of the Royal Commission of 1926 has not been implemented. Although the importance of this information in relation to the economic position of the Maritime Provinces was emphasized most strongly by the Royal Commission on Maritime Claims, there is still a lack of any comprehensive measurement of the trade of the Maritime Provinces with other provinces and with foreign markets.

Despite the absence of sufficient statistical material on internal trade at the Dominion Bureau of Statistics, it has been found possible, through the valuable co-operation of the Canadian National and Canadian Pacific railways and of steamship companies engaged in inter-provincial transportation, to assemble a useful body of data on the trading position of Nova Scotia. This information will be found in

Appendix B. It includes (1) returns for Nova Scotia for the calendar year 1932 of incoming and outgoing freight traffic by railway and steamship, covering a considerable range of commodities, (2) a tabulation of outgoing traffic carried by express companies on a limited list of classified commodities, and (3) a statement from the Department of National Revenue giving the valuation of goods entered for consumption in Nova Scotia and of exports through ports in this province for the fiscal year ended March 31, 1933. It is not suggested that this information presents in itself a complete picture of the trading position of Nova Scotia in relation to the other provinces of the Dominion and to foreign markets. The returns from the railway and steamship companies are necessarily on a quantitative basis. The express companies were only able to supply information on the outgoing movement of fish, fruits and vegetables, other commodities not being classified in detail for express carriage. The statement given by the Department of National Revenue must also be read subject to the reservation that not all the goods exported from Nova Scotia ports in the fiscal year 1932-1933 were of Nova Scotia production, and that all imports received at Nova Scotia ports of entry in the same period were not actually consumed in Nova Scotia. The necessity of making these qualifications is sufficient in itself to emphasize the defects of the present statistical facilities for the collection of information on internal trade. It directs attention to the desirability of securing an early implementation of the recommendation of the Royal Commission of Maritime Claims upon this important subject.

Having made these qualifications, however, it may be pointed out that the returns from railways and steamship companies present as accurate a statement of incoming and outgoing traffic as can be secured on a quantitative basis. It will throw considerable light on the character of the existing trade between Nova Scotia and the other provinces of the Dominion. In the case of agricultural, livestock and animal products it has been possible, moreover, to convert the quantitative measurements into monetary terms. Upon the basis of these traffic returns it has been possible to indicate the character, quantity and value of agricultural products brought into Nova Scotia from other provinces. This tabulation is included in the Appendix.

The information contained in these various returns will be placed before the Commissioners for further examination. It will be clarified by evidence given by officials of railway and steamship companies. It will be supplemented, as well, by data supplied by manufacturers, mining companies, and fish canneries, on sales in domestic and foreign markets. This latter information has been obtained through a Questionnaire. It has not been included in the Appendix, owing to the fact that in certain cases it was given confidentially under an understanding that it would be used merely for purposes of aggregate comparisons. It will be submitted to the Commission for analysis as a collateral body of statistical information which may assist in reconstructing more accurately the trading position of Nova Scotia in relation to the rest of Canada and foreign countries.

Without anticipating the result of the more extended analysis of these trade returns which will be made by the Commission, it may be stated broadly that the

traffic figures confirm the conclusions arrived at in the earlier examination of the incidence of the tariff. Nova Scotia is in the position of a trade debtor to the rest of Canada. In respect of manufactured products, agricultural products, livestock and animal products the balance runs heavily against her. This adverse balance in respect of manufactures and farm products is far from being redressed by the products of Nova Scotia collieries and fisheries sold in Canadian markets beyond this province. Leaving invisible items out of account, this adverse internal trade balance can only be met by the excess of exports of Nova Scotia products to foreign countries over imports from foreign countries. In short, the ability of Nova Scotia to go on purchasing the manufactures of Ontario and Quebec depends primarily upon the health of her export industries. If these export industries cannot sustain the adverse internal trade balance the consequence must be a lower standard of living or a persistent pressure on savings, leading ultimately to the same result. Inasmuch as it would appear that the proceeds of export sales at competitive world prices have been required for many years to meet an adverse internal trade balance in terms of a protected price level, it may be inferred that the consequences just referred to have already occurred and have been in operation for some time. This inference is supported by evidence submitted elsewhere in this brief, and will doubtless find further confirmation in evidence brought before the Commission during its public hearings throughout the province.

Another conclusion may also be drawn from the information assembled on inter-provincial trade. The Canadian market beyond the area of the Maritime Provinces absorbs a limited quantity of the manufactures and agricultural products of Nova Scotia. The more important particular items of Nova Scotia manufacture absorbed by the Central Canada market are: Sugar, iron and steel products, textiles, confectionery and vinegar. It will be noticed, however, that the tonnage of manufactured goods under the heading "miscellaneous" sent from Nova Scotia to Ontario and Quebec, is only 6,420 tons, as against 36,441 tons of miscellaneous manufactures brought into Nova Scotia from these provinces. The tonnage of agricultural products of Nova Scotia sold in Ontario and Quebec is almost negligible, when compared with the very heavy importations of these products into Nova Scotia from Ontario and Quebec. Of the primary products of Nova Scotia, the only important items on which there are substantial sales in central Canada are coal and fish, on which the monetary return in relation to weight is notoriously low. In the forest products group there is scarcely enough difference between sales and purchases to have significance in any final tabulation of the trade balance. In other words, the Canadian market beyond the Maritime Provinces has reality for Nova Scotia only in respect of a very limited and diminishing list of manufactures, together with coal and fish. Nova Scotia, on the contrary, under the existing protective tariff, has become a market not only for the widely diversified manufactures of Ontario and Quebec, but an important market as well for the agricultural and animal products of these provinces. The freedom of inter-provincial trade secured by federation has been of substantially greater benefit to Ontario and Quebec than to Nova Scotia.

CHAPTER XII.

THE APPROACH TO REMEDIAL ACTION

MONEY GRANTS WILL NOT REMOVE TARIFF DISABILITIES

In the several investigations of the effects of the Australian tariff on the component States of the Commonwealth, the purpose of such investigations has been the establishment of a basis for the re-adjustment of federal subsidies. There would seem to be no doubt that the tariff handicap upon a State, whose main source of income lies in its export industries, would be reflected in the financial position of the State Government, through a diminution of the taxable capacity of its population. At the same time, it must be recognized that if the tariff does operate as a handicap on the industrial development and commercial expansion of certain states or provinces within a federation, the problem is not solved by a mere re-adjustment of the financial relations of the federation.

In the memorandum submitted by the Commonwealth Government to the 1926 Conference on Financial Relations between the States and Commonwealth of Australia, the following observation is made:

"The mere making of a money grant is not a solution of the problem. Such a grant is, in effect, contributed by the several States of the Commonwealth, and it is proper for the Commonwealth Government to consider the obvious fact that the mere granting of money, far from removing the causes of the trouble, may, in fact, increase them. The true principle, therefore, is to discover the causes of the financial difficulties, and to seek to provide means for their removal. If, for example, the difficulties are due to a condition of arrested development, the essential problem is to determine how development may be promoted in order that increased production may lighten the burden of taxation and render further enterprise possible."

It cannot be denied that there is a large measure of truth in this contention. Certainly, the past experience of Nova Scotia and other provinces of the Dominion has proved that a mere increase in the subsidy does not, of itself, assist in the solution of basic economic problems. It involves the treatment of the symptom instead of the disease. The only sure approach to remedial action for Nova Scotia is by a clear recognition that its economic progress has been arrested by the excess costs of the tariff, as accentuated by its geographical position; and that its industries must secure a substantial measure of relief from this burden if the province is to begin the process of economic recuperation. Any remedy which ignores this primary consideration is doomed to failure from the beginning.

When this conclusion is acknowledged it must still be recognized that Nova Scotia has been a member of the Canadian Federation for some sixty-five years, and that a considerable portion of its industrial and commercial life has been deve-

loped upon the basis of a continuance of that political and economic relationship. This means that we are compelled to discover, if possible, a remedial program which can be worked out within the constitutional and fiscal structure of the Dominion. Can such a remedial program be formulated? This is the question which now requires to be answered.

PRINCIPLES WHICH MUST UNDERLIE A NATIONAL TRADE POLICY IN A FEDERAL STATE

It has been indicated that the tariff policy pursued by the Dominion since 1879 has been a major cause of the economic retrogression of Nova Scotia. It may be contended that the same policy has contributed to the development of other provinces of the Dominion and that Nova Scotia cannot ask that its interests shall have priority over those of other provinces in the determination of trade policy. It is reasonable to inquire, however, whether the tariff policy as actually operated has conformed to the just requirements of a national policy in a federal state. If it does not conform to these requirements it is also reasonable to ask how it can be modified in such a manner as to permit a normal development of the economic life of Nova Scotia within the political structure of the Dominion.

It is our contention that the protective tariff from the time of its adoption has failed to meet the just requirements of a national policy in a federal state, that it has been haphazard in its growth, unequal in its incidence, and that it does not represent a fair compromise of the conflicting interests of the several provinces of the federation.

The outright adoption of a protective tariff is a deliberate interference with trade and commerce for a purpose conceived to be in the national interest. Prior to 1879 it might be said broadly that protection of domestic industries was incidental to the revenue aspect of the tariff. Tariff legislation may be said to have proceeded from the authority of the Dominion Parliament to raise money by any mode or system of taxation. Since 1879 the revenue aspect of the tariff has become increasingly incidental to its primary purpose of affording protection to domestic industries. Tariff legislation, strictly speaking, has proceeded under the authority conferred upon the Dominion Parliament to regulate trade and commerce.

The adoption of a protective tariff is predicated upon the belief that the competition of the foreign industry with the domestic industry must be limited in the national interest. In other words, certain aspects of external trade and commerce are made subject to legislative restrictions. At the same time it has been assumed, broadly speaking, that internal competition within the protective barriers must be given free play in the national interest. In other words, trade and commerce in its internal aspect has been left largely without effective supervision or regulation. Tariff duties, anti-dumping legislation and other expedients have been adopted to secure a more adequate protection of domestic industries against competition from foreign countries. Within the boundaries of the nation this policy

has been reversed. The ostensible object has been to encourage the maximum of internal competition. The assumption has been that a maximum of internal competition is necessary to safeguard the national economy against the growth and maintenance at public expense of inefficient industries and monopolies. And this despite the fact that the restriction of external competition of itself may have the effect of supporting inefficient industries and of penalizing efficient primary industries by adding to their costs of production. Notwithstanding this evident confusion as to the measuring of efficiency, free competition within the nation has been the concomitant of restricted or regulated competition in the wider area of international trade. In respect of external trade free competition is declared to be contrary to the national interest. In respect of internal trade it is declared to promote the national interest. These propositions may be true or false. It is certain at least that the second does not follow logically from the first.

This is not an academic question. It is related directly to the situation now existing in Nova Scotia. In accordance with the reasoning implicit in the policy of protection in Canada it may be contended that the decline of industry in Nova Scotia has been the normal, inevitable, and salutary result of free competition in the home market; that the abandoned farms and the factories which have been closed or removed to central Canada were inefficient from the standpoint of location or operation, and that their disappearance is in itself a positive confirmation of this fact. We are asked to acknowledge on the one hand that Nova Scotia industries which have been forced out of existence ought never to have been established, or, having been established were compelled to cease operations because of their inefficiency. On the other hand we are asked to assume that only the industries which now survive in the province are located efficiently. Survival has been accepted as the pragmatic test of efficiency.

We submit that these conclusions can only be accepted with important qualifications. It is necessary to recognize that the protective tariff in the course of its development alters the terms of both internal and external exchange. The tariff creates artificial conditions within which the test of efficiency is to be applied. Heavy duties imposed on agricultural machinery, for example, adopted for the purpose of establishing a domestic implement industry, may so raise the costs of production of Nova Scotia producers of farm products as to handicap them in disposing of their commodities at a profit in foreign markets. Similarly the necessity of buying agricultural machinery from Central Canada with transportation costs added to tariff costs may place Nova Scotia producers under a handicap in the home market in relation to similar producers in Central Canada whose transportation costs on agricultural machinery are substantially less or even negligible.

Moreover the very reservation of the home market for Canadian manufacturers of a particular product may operate as an encouragement to the deliberate appropriation of this market by one or several producers through the adoption of practices which, while justified legally under the regime of competition, are in fact forms of discrimination which are without economic or social justification. The

truth is that *Laisser-faire* may be a sound principle if it operates freely within the boundaries of a world economy, and an unsound principle when operating within boundaries artificially created by a protective tariff. If external competition is restricted in the national interest, internal competition must be brought under supervision and regulation with the same objective in view. Otherwise the economic development of the nation will be left largely to the forces of private exploitation with dangerous consequences to the social and political fabric of the community. What we have failed to see in the past, but are dimly apprehending today, is that a protective tariff can only be justified in a *political* sense when it is accepted as a segment of a larger policy having as its objective the orderly development of the industrial structure of the nation. If the principle of free competition in its external aspect is renounced, thus forfeiting for considerations of national security the advantages to be derived from geographical specialization on a world scale, it is essential that the same considerations of order and security shall influence and direct the application of industrial and trade policy within the nation. Otherwise the internal economy of the nation is certain to be thrown off-balance as a result of advantages given to or withdrawn from particular classes or sections of the country as a result of tariff duties working in conjunction with the principle of free competition.

This is precisely the situation in Canada today, a situation which has been especially prejudicial to the economic welfare of Nova Scotia. It has been demonstrated that under conditions established jointly by federation and the protective tariff the economic life of Nova Scotia has either declined absolutely or has failed to maintain a satisfactory rate of development. The primary industries of the province have been handicapped by the effect of the protective tariff in raising their costs of production. The manufacturing industries have failed to maintain themselves against the competition offered in their most favourable markets by manufacturers in other provinces, notably those of Ontario and Quebec.

The competition of manufacturers outside the province was a natural sequel to federation. It must also be recognized and acknowledged that manufacturers of other provinces were exposed equally to competition from manufacturers of similar commodities in Nova Scotia. A question may fairly be raised, however, as to the effect of the protective tariff in altering the terms of free internal competition, having regard to the geographical character of the Dominion and the more favourable position occupied by the manufacturers of central Canada in relation to the entire home market. It is also important to repeat that in the legal sense competition has implied free exchange of goods without hindrance of law, a definition elastic enough to allow practices which while permissible in law have come to be regarded as having the character of discrimination. As a result of recent investigations conducted by a special parliamentary committee in Ottawa it has been discovered that these practices have extended over a considerable area of industry and trade. It may be conceded that a substantial number of the factories lost to Nova Scotia in the past three decades have been closed because of mismanagement and the rapid evolution of new methods and organizations of production, or in

other words because of comparative inefficiency in the strict economic sense. Others, no doubt, have succumbed to a kind of competition which can only be described as discrimination, a deliberately destructive competition designed to appropriate a market through the elimination of competitors. In both cases, however, the state has been largely indifferent to the social and political consequences of the decline of industrial life in a particular section of the country. Having taken the first step towards a planned economy with the adoption of the National Policy in 1879, the Dominion has failed thus far to take the next step towards the internal development of industry and commerce for pre-determined social ends. We have been marooned midway between our point of departure and our logical destination. Our blind step towards national planning, as expressed in a protective tariff has contemplated, generally speaking, only the development of certain selected industries, without great regard to their geographical situation and without effective safeguards against discrimination and other abuses of free competition. It has only benefitted in any substantial way those who own, operate, and work in these industries, the third group trailing the others by a very wide margin.

A tariff policy with a true national objective, would recognize the importance of maintaining the health of industries dependent upon export markets, especially as such industries are essential to the economic development of seven of the nine provinces of the Dominion. In recognition of this fact these industries, agriculture, mining, fishing, and lumbering would be relieved at least of tariff duties on all instruments of production essential to their operation. In other words the vital interest of seven provinces in lower costs of production in primary industries compelled to sell their products in world markets would be given priority over considerations urged in support of the manufacture of these instruments of production in Canada behind a protective tariff. Similarly, a tariff policy with a true national objective would seem to call for the creation of a board such as a Federal Trade Commission which would be entrusted with the duty of hearing complaints of unfair competition and discrimination designed to undermine and destroy small industrial establishments catering to neighborhood or provincial markets. It is a truism that free competition in the sense of competition permitted by law has not always been fair competition. In Nova Scotia as well as in other provinces the road to large-scale production and the concentration of manufacturing in Ontario and Quebec has been strewn with the wreckage of small industries whose destruction has involved a social loss and disturbance which by no means has been balanced always by a gain for the national economy.

But these important elements in a national policy have been conspicuously lacking in the development of the Canadian tariff. Our tariff planning, if it can be called such, has lacked deliberation, has lacked proper co-ordination, and has failed to recognize the economic implications of a federal system of government. We contend that a true national policy must take account not merely of the selection of industries, but must consider as well the inter-relations of industries, their regional distribution, and the social values to be kept in view in building up the economic framework of the nation. Especially in a federal state must these con-

siderations be kept in the foreground of national policy. In a state so organized the economic planning implied in the adoption of the protective system requires that attention be given to the effect of specific tariff duties on the economic and social welfare of its component provinces. This does not mean that any exact equality of development is within the range of practical achievement. It does mean that a decent approximation of equality of opportunity for development may fairly be demanded as a principle of federal equity.

It cannot be emphasized too strongly that a federation is a different form of political organization from that of a unitary state. The fact that Canada is organized as a federal state reinforces every argument in support of the regulation of industry and commerce for pre-determined social and political objectives. Had the provinces of British North America been welded into a legislative union, the Dominion today would constitute one political entity and the inhabitants of this section of the Dominion would have less valid grounds for complaint in the concentration of industrial activity at the centre in accordance with the principle of geographical specialization. There would have been one economy, that of the nation, to develop, and the gains accruing from the shifts of industry to new and more advantageous geographical locations would be conserved, it may be assumed, for the nation as a whole, being reflected in more buoyant revenues, lower taxation, and a higher level of prosperity for the Dominion. But the provinces were not welded into one. To quote Lord Watson's well-known dictum in the Privy Council decision in "Liquidators of the Maritime Bank of Canada vs. The Receiver-General of New Brunswick": 'The object of the Act was neither to weld the provinces into one, nor to subordinate provincial governments to a central authority, but to create a federal government in which they should all be represented'. The provinces were formed into a federation. As a consequence they retained their distinct character, and continued to live an individual life within the new and larger political entity which by their common concessions they had helped to create. A federation is an association of provinces. Each member of the association retains its individuality. Each has its own interests apart from the common interests of the association. The source of the political vitality of every province lies in its traditions, its social institutions, and its economic welfare. Each province, therefore, is compelled to give its utmost care to the maintenance of its distinct economy. Upon the character of its economic life depends its power to discharge faithfully the responsibilities entrusted to it under the federal constitution. If its economic life is being steadily undermined and weakened it cannot fulfill its constitutional functions and preserve itself from gradual and humiliating extinction. Equally is it true that the strength of the federal association is the strength of its members. It becomes the duty of the stewards of the federal association to safeguard the social and political vigour and the economic welfare of its members, to prevent exploitation of the weak by the strong, to compose internal differences as they arise, and to preserve relationships of justice and fair dealing which will prevent the gaining of disproportionate and unreasonable power and influence by some of its members at the expense of others.

CHAPTER XIII

THE REMOVAL OR MITIGATION OF THE ECONOMIC DISABILITIES OF NOVA SCOTIA

While the appraisal of the economic disabilities of Nova Scotia and the formulation of remedies or compensations for these disabilities are the major tasks assigned to this Commission, it has been thought desirable to indicate in this brief a number of remedial policies which are suggested by a consideration of the tariff burden or which fall broadly within the field of Dominion-Provincial relations. In its hearings throughout the province and by its own investigations the Commission will be able to determine how far these proposals are practicable and to what extent they are likely to operate to the advantage of Nova Scotia.

The recommendation of special measures of relief for the disabilities of Nova Scotia within the fiscal structure of the Dominion must proceed (1) on the assumption that the protective features of the Canadian tariff will be removed or greatly reduced, or (2) on the assumption that the protective system will be continued in Canada for an indefinite period.

It is submitted at the outset that a downward revision of the Canadian tariff would operate to the advantage of Nova Scotia, especially if such a policy were made the lever for securing larger markets for natural products in other countries. Such a reduction would diminish the unfavourable spread between consumers' tariff costs and producers' tariff subsidies, would mitigate the handicaps now operating on the primary industries of Nova Scotia, and would permit these industries to avail themselves of their geographical advantages in relation to foreign markets accessible by sea. Despite the industrial re-adjustments incident to a substantial reduction in existing tariff schedules, it is believed that such a policy would be beneficial in its ultimate outcome to the economy of the province as a whole. It would not repair, however, the damage already done to the economic interests of Nova Scotia through the incidence of the tariff in former years.

If the protective system is continued in Canada it can only be maintained with political justice as a constituent element of national economic planning, and must be so modified and supplemented as to provide deliberately for the economic recuperation of those provinces which, like Nova Scotia, have been prejudiced by its operation during the past sixty years. Nova Scotia is entitled to claim on equitable grounds that even under the regime of a protective tariff for Canada certain features of that system should be modified in order to remove the handicaps now resting on the primary and export industries of this province. It is submitted further that in compensation for the progressive impoverishment of the economic life of Nova Scotia through the incidence of the tariff, the Dominion should undertake or share in developmental policies designed to assist in the growth or recuperation of industries for which Nova Scotia has natural advantages by virtue of resources or location.

MANUFACTURING

The analysis of the trend of manufacturing in Nova Scotia during the past thirty years suggests that extensive manufacturing for the Canadian market is not capable of marked natural expansion within the boundaries of the present protective system. This conclusion is emphasized by the superficial evidence of abandoned factories in various communities of the province which were once the centres of great industrial activity. Factories once abandoned because of the pressure from competitors in Central Canada are not likely to be re-opened unless the terms of competition are greatly altered. It is necessary to recognize, moreover, that the existing concentration of manufacturing in Ontario and Quebec is based upon geographical advantages in respect of a protected home market which can hardly be ignored by new industries seeking location in Canada. This concentration of manufacturing in the central provinces, combined with the centralization of banking and financial establishments in the same area, has created a situation which affords extensive economies of operation to industries in Ontario and Quebec which are denied to Nova Scotia. It is noteworthy that few new industrial establishments have been established in Nova Scotia in recent years, whereas numerous industries of this character have been established in Ontario and Quebec. New factories for the manufacture of automobiles, machinery, electrical appliances, radios, chemicals, etc., have gravitated naturally to the industrial centre of the Dominion. The old-established industries of Nova Scotia which have passed out of existence have not been replaced by these industries of the modern age.

While the future of general manufacturing in Nova Scotia is subject to the limitations indicated above, it would appear that a promising field of development lies in manufacturing for export markets, or in small establishments such as wood-working, fish-processing and canning factories, which cater to export markets and the domestic market, and which are based upon primary industries for which the province possesses natural advantages. It is suggested that a survey of the opportunities afforded by Nova Scotia for the manufacture of the by-products of its natural resources should be undertaken by the National Research Council in co-operation with other branches of the Department of Trade and Commerce, and the appropriate departments of the Provincial Government. An investigation of this character would provide the basis for the active promotion of industries for which the province was found to possess peculiar advantages in relation either to the Canadian market or to foreign markets. In this connection it will be useful to examine the possibilities of manufacturing for export within a free trade zone which might be established within the area of a free port in Nova Scotia.

The heavy industries which still survive in Nova Scotia are engaged chiefly in the manufacture of iron and steel and rolling stock for railways. The capacity of these plants has been developed well beyond the requirements of the market offered by the Maritime Provinces. If they are to continue to exist in the face of competition from similar industries in Ontario and Quebec, it would appear to be necessary to bring them within the regime of a rationalized iron and steel industry

for the Dominion. The Dominion Government, through its control of public works, through its ownership of one railway system, and its close association with the other, is in a position to use its influence to secure an equitable distribution of the heavy iron and steel and rolling stock requirements of the country. It is submitted that if the protective system is maintained in Canada these few surviving heavy industries in Nova Scotia are entitled to this consideration.

Attention has been directed in an earlier section of this brief to the advisability of setting up a board or tribunal which shall have the power to investigate complaints of unfair competition and of trade practices designed to force competitors out of business in a given market. Evidence brought before the special parliamentary committee on price spreads and mass buying during the past year emphasizes the necessity for such a tribunal. There is good reason to believe that Nova Scotia manufacturers have suffered from such practices in past years and in some cases have been forced out of business as a consequence. If the manufacturer which still operate in the province are to survive it is essential that they shall be safeguarded against uneconomic and destructive competition.

THE PRIMARY INDUSTRIES OF NOVA SCOTIA

The dubious prospect of any marked expansion of manufacturing in Nova Scotia within the present protective system makes it all the more necessary to focus attention on the recuperation of the primary industries of the province. In the development of these industries—mining, fishing, lumbering, and agriculture—lies the best hope of the future economic welfare of Nova Scotia. Of these industries only coal-mining may be said to depend directly and substantially upon the protected home market. The others have been severely handicapped in their growth by the incidence of the protective tariff.

DEVELOPMENTAL ASSISTANCE EXTENDED TO THE COAL INDUSTRY OF NOVA SCOTIA

Attention has already been directed to the assistance given to the coal industry of Nova Scotia by the customs tariff. More recently the Dominion Government has undertaken a further form of assistance through transportation subventions within the terms of a National Fuel Policy.

In June, 1926, the following resolution was passed unanimously at an Inter-provincial Conference of Premiers at Ottawa, all provinces being represented but Alberta, which, being a coal producing province, would naturally have given its endorsement had its representative been present.

“This Conference, recognizing that the coal fields of the Dominion are capable of producing ample fuel for its domestic and industrial purposes, that Canada imports annually 15,000,000 tons of coal at a cost to our people of many millions, and that the national interests demand that the coal industry should

be stabilized and further developed to ensure the use of the Canadian products, is of opinion that the Government of Canada should take immediate steps to ensure the establishment of coking plants in the large centres of population, and the adoption of such other measures by the Dominion as will enable Canadian coals to be marketed in the central parts of Canada, thus aiding in the development of inter-provincial trade and utilizing to the fullest possible extent one of our most important natural resources."

The Royal Commission on Maritime Claims made an inquiry into the merits of transportation subventions on coal as means of enlarging the market in Central Canada, and reported as follows:

"With regard to the allied industries of coal and steel, much evidence was given to us as to the great handicap which rests upon Nova Scotia industrially as the result of the high cost of rail carriage. So far as steel is concerned, the features in regard to their transportation are sufficiently covered by what we have said under the general heading of transportation.

"In regard to coal, a special feature was raised which has a two-fold aspect. The volume of sales of Nova Scotia coal in the St. Lawrence is limited at present to points of discharge for water-borne coal. The advantage of the moderate cost of water transportation is, it is stated, nullified so far as western furtherance is concerned, by the rail rates from Montreal to points conveniently near being charged on a short haul mileage rate, whereas coal coming from the United States has the advantage of a long haul mileage rate. To illustrate the incidence of present rate, the case was cited of the coal rate from Montreal to Ottawa, which is \$1.30 per ton for a haul of 117 miles, this being almost twice the cost of water transportation from Sydney to Montreal, approximately a distance of 850 miles.

It was suggested that by a lower cost of rail carriage for Nova Scotia coal ex-vessel at St. Lawrence ports—such a lower rate, for example, as would apply to the short rail haul if the water distance were regarded by the railways as if it were rail distance—inland furtherance would be considerably facilitated. In so far as this point stands by itself it is obviously a subject matter properly to be dealt with by the railways and by the Railway Commission.

The limitation of the distribution of Nova Scotia coal ex-vessel at St. Lawrence ports was, however, recognized in the action taken by Parliament in the session of 1924 when a subvention was made payable to the railway companies carrying coal, conditional upon a reduction in the then existing rail rates. The effect of this was to relieve the cost of railway carriage, partly at the expense of the Dominion and partly at the expense of the railway. Unfortunately the completion of the arrangements took place at a time of year when it was not possible to take full advantage of it, with the result that although Parliament voted up to \$150,000, only \$9,853 were actually spent. A committee of Parlia-

ment which sat during the session of 1926 recommended that early consideration should be given by the Government to the advisability of renewing the subvention, and we would respectfully support that recommendation.

On the subject of a broader Dominion coal policy, several representations were made to us. The representations relate to the development of a wide market in Central Canada for the coal output of the Dominion, and have from time to time been submitted, not only to the Dominion Government, but to commissions and committees dealing with the subject. There is, first, the question of coking plants."

Subsequently in the years 1928-1932, a series of Orders-in-Council has extended the subventions on movements of Nova Scotia coal. The following tables present information of the assistance provided under the several Orders-in-Council the movements of coal under the subvention, and the cost to the government of such movements:

NOVA SCOTIA MOVEMENTS

Order in Council	Assistance provided	Maximum per Net Ton
P. C. 539 (A)	\$3.00 blanket rate, all rail	
1928-1931 (B)	1/5 of 1c per ton to Quebec & Ontario.....	.75
P. C. 1300	1/5 of 1c to Quebec.....	.75
1931-1932	1/3 of 1c to Ontario.....	1.50
	1/7 of 1c All Rail.....	2.00
P. C. 1048	1/5 of 1c to Quebec.....	.75
1932	1/3 of 1c to Ontario.....	1.50
	1/7 of 1c All Rail.....	2.00
P. C. 1676	Extended the 1/7c all year.....	
1932		
P. C. 1048	\$1.00 water rate west of Montreal	
1932	1/3 of 1c inland.....	1.00
	Railway coal; difference in price.....	2.50
P. C. 944	Coal for coke; difference in price.....	1.00
1932		

Movements

Calendar Year	Net Tons Moved	Cost to Government	Cost per Net Ton
1928	114,008	\$ 65,749.40	\$0.576
1929	304,533	205,666.05	0.675
1930	372,056	214,778.60	0.577
1931	401,597	225,138.08	0.561
1932	703,691	538,110.16	0.765
1933	1,482,971	1,476,951.60	0.996
	<u>3,378,846</u>	<u>\$2,726,393.89</u>	

In any appraisal of the assistance given by subventions to the coal industry of Nova Scotia it must be recognized that the policy of subventions was not extended exclusively to the coal mines of this province but was adopted as an integral part of a national fuel policy which comprehended as well the coal areas of other provinces of the Dominion.

The experience of the past few years has proved, nevertheless, that the subventions have rendered great assistance to the coal industry of Nova Scotia during a very critical period in its history. Even with the support of these subventions there has been a marked decline of employment in the colliery areas of the province, and the future of the industry would appear to depend upon a continuance and extension of the subventions granted to assist the movement of Nova Scotia coal into the industrial markets of Central Canada.

It must be conceded that under a free trade policy or a policy of tariff for revenue only, the coal mining industry of this province would have no equitable claim to the assistance extended to it by tariff duties and subventions. When it is remembered, however, that the subventions are of very recent origin, whereas the economy of the province has been under the burden of the general incidence of the tariff for a period of fifty-five years, and having regard to the importance of the coal industry to the province both as one of its major resources and one of its chief sources of revenue through royalties, it may be urged that the assistance given to the coal industry is but a partial compensation for the injury suffered by the economy of the province under the fiscal system of the Dominion. If the protective system is maintained without important modifications, it may reasonably be contended that the policy of subventions should be developed further within the terms of a National Fuel Policy.

It is submitted also that the growing substitution of coal energy by hydro-electric power and oil makes it necessary to investigate the possibilities of the conversion of coal into motor fuel. Experimentation in this direction through government subsidies has already been instituted in Great Britain, Germany, and Australia, and quite recently the possibilities of Alberta coal for hydrogenation have been studied by the National Research Council in Canada. While the analysis of some Nova Scotia coals suggests that they are not suitable for this process of conversion, it is proposed that a thorough survey should be undertaken by the National Research Council in co-operation with the Dominion Fuel Board in order to determine the suitability of Nova Scotia coals for conversion into motor fuel and the costs involved in this process.

AGRICULTURE

Agricultural producers in Nova Scotia have three potential markets:

- (1) The industrial markets of Central Canada.

- (2) The immediate home market within the province or the larger area of the Maritime Provinces.
- (3) Foreign markets.

Past experience suggests that the agricultural products of Nova Scotia, with a few notable exceptions, have little prospect of entering the industrial market of Central Canada unless assisted by special freight rates. The trading relationship in agricultural commodities as between Nova Scotia and the larger provinces to the west is significantly different from that which exists, for example, between New England and the southern portion of the United States. There we find a basis for a mutually advantageous exchange arising from a differentiation of crops resulting from variations in climatic conditions. In Canada, the provinces are all in substantially the same climatic zone, and all raise the same farm products for the most part, although the proportions vary in accordance with differences in the character of the soil and changes in habits of consumption. Ontario and Quebec, in fact, have a distinct advantage over the other provinces in the possession of areas especially adapted to the production of early fruits, vegetables, and tobacco; viz., the Niagara Peninsula and Southern Quebec. On the face of it, when the agricultural products of Nova Scotia are compared with those of Ontario and Quebec, it would appear that the similarity of the commodities produced taken together with the long rail haul to the Central Canadian market would reduce the movement of Nova Scotia products to that market to very narrow proportions. Moreover, when we consider the absolute advantage enjoyed by Ontario and Quebec in the production of early fruits and vegetables we would expect to find, and do find, that on balance Nova Scotia imports a much larger value of agricultural products from Ontario and Quebec than she exports to these markets.

The expansion of the home market for Nova Scotia agricultural products would seem to depend upon (1) an enlargement of manufacturing activity in the province, (2) a seasonal increase in its population through the influx of tourists, (3) substantially lower costs of production, and (4) improved methods of marketing organization. It has already been pointed out that there is a meagre prospect of any marked increase of manufacturing in Nova Scotia. The best hope for the expansion of the home market for Nova Scotia agricultural products lies, therefore, in the development of the tourist trade, and in lower transportation and tariff costs bearing on mill feeds and instruments of production. The tabulation of agricultural products brought into Nova Scotia from other provinces of the Dominion suggests that in some important branches of agricultural production the possibilities of the immediate home market have not been realized by the farmers of this province. This situation may be rectified in considerable measure by an improved marketing organization and the promotion of selected crops and livestock production by the provincial Department of Agriculture. It has been represented, however, that in respect of certain items of agricultural imports from other provinces, there is sufficient evidence to raise a suspicion that Nova Scotia has been used as a slaughter market by dealers in Montreal and Toronto. It is alleged that producers of early

fruits and vegetables in Nova Scotia are prevented from realizing satisfactory prices owing to supplies placed on the market from Ontario and Quebec, where early fruits and vegetables ripen several weeks earlier than in this province. Producers of these commodities in Ontario and Quebec, it is contended, are enabled to realize higher prices for first arrivals on the market by reason of the seasonal tariff on early fruits and vegetables directed against imports from the United States. When this seasonal tariff expires American supplies come on the markets of Ontario and Quebec and dealers in these provinces dispose of surplus stocks in Nova Scotia and the Maritime Provinces, at prices which depress the early market for domestic fruits and vegetables in this province. It is difficult to secure conclusive evidence of this practice which may be described as "internal dumping". It is submitted, nevertheless, that this phase of marketing is worthy of investigation, and that some tribunal of the character of the Federal Trade Commission of the United States should take cognizance of this situation and ensure that there shall be no unfair methods used in the marketing of domestic fruits and vegetables.

The sale of Nova Scotia agricultural products in the highly competitive markets of foreign countries can only be extended materially by lower costs of production through the reduction of tariff duties on farm machinery, mill feeds, motor trucks, etc. Further assistance may be granted to the agricultural industry in respect of foreign markets by trade treaties designed especially to find an outlet for the agricultural production of this province. In this connection it is needless to emphasize the great advantages which would accrue to mixed farming in Nova Scotia through the negotiation of a reciprocity treaty with the United States.

THE RELIEF OF EXPORT INDUSTRIES

It has been emphasized at various points in this submission that except for coal-mining, the primary industries of Nova Scotia depend largely upon export markets for the disposal of their products. The important apple-growing industry, fishing, and lumbering are at present the outstanding export industries of the province. It is estimated conservatively that 80% of the total production of these industries under normal conditions is marketed in foreign countries.

The ability of export industries to market their products profitably against world competition depends upon their costs of production as compared with costs prevailing in competing countries. Tariff duties on instruments and materials of production form an important element in the costs of these industries in Nova Scotia. The recognition of this fact compels an investigation of ways and means of removing or reducing the burden of tariff costs on the export industries of the province.

It has been urged previously that the economic welfare of the primary industries of Nova Scotia would be served by the removal from the Canadian tariff of all duties on instruments of production. It is conceivable, however, that the vested interest of other provinces of the Dominion in the manufacture of instruments of

production may present an obstacle to the adoption of a general policy which would clearly be to the advantage of Nova Scotia. If it should prove to be impracticable to remove or substantially reduce the duties in the Canadian Customs Tariff now bearing on instruments of production, it becomes necessary to consider the possibility of special relief to the export industries of this province. One method of relief which has provoked considerable discussion in recent years is that of a regional tariff. It cannot be said that any concrete proposals have emerged out of this discussion. The difficulties which surround the subject are indicated by the Report of a Special Committee of the Maritime Board of Trade, which was submitted at its Annual Meeting on Nov. 8 and 9, 1933. The relevant paragraphs of this Report are as follows:

"At our last Annual Meeting, the matter of a Regional Tariff for the Maritimes was suggested by the Yarmouth Board of Trade as worthy of study. Then, at the meeting of our Executive at Moncton, on 1st March last, Mr. Seymour Baker, of Yarmouth, submitted a Resolution suggesting systematic study of the subject which was recognized as very complex and far-reaching;—and, to that end, His Worship, Mayor C. H. Blakeny of Moncton, Mr. Seymour Baker and your Honorary Secretary, (F. MacLure Sclanders) were appointed a Special Committee with instructions to submit their report at this Annual Meeting.

Since appointment, the Special Committee has devoted considerable thought to the subject, and now begs to report as follows:

The first difficulty encountered by the Committee was the lack of any clean-cut definition of what was actually meant by the term "Regional Tariff". In this regard, such ideas as had been expressed were not sufficiently crystallized to provide any foundation upon which something more definite could be constructed. Nevertheless, the Regional Tariff idea was apparently suggested by the fact that over eighty percent of the entire industrial investment of our great country is concentrated in its two Central Provinces—Ontario and Quebec—just as are practically all other economic development factors.

Naturally, this circumstance placed a serious handicap upon all Maritime commercial enterprises and especially upon Maritime industry which found it hard to compete—even in its own market—with the mass production of much larger Central Canadian plants.

Further, and in order to protect Central Canadian industries, the Maritimes were compelled to pay very much higher prices for industrial commodities than would be the case did they control their own Customs. For instance, it has been estimated that the protection given to a few Ontario plants, meant an extra cost of at least \$20,000,000 on the motor vehicles now registered in the three Maritime Provinces.

Then, too, the concentration of over eight-tenths of Canada's total industrial investment in Ontario and Quebec, meant that these two Central Provinces derived over eighty percent of the total benefit of the Canadian Protective Tariff with all the other advantages such as employment, payroll, etc., etc., consequent thereto. Indeed, everything seems to be so thoroughly lop-sided with the Maritimes at the light end.

Again, as is generally conceded, the natural flow of commerce is north and south; not east and west: Therefore, the logical markets of the Maritimes are in the neighboring United States with which, prior to Confederation, the Maritimes conducted a large and lucrative commerce. Doubtless, the Regional Tariff suggestion involved the possibility of some reciprocal trade arrangement between the Maritimes and the United States,—for instance, in lumber, fish and agricultural products,—which—as will be shown later—was a matter recommended by the Duncan Commission as worthy of study by the Dominion Government.

It might be, too, that the idea of Regional Tariff involved a recognition of the strategic geographical location of the Maritimes in relation to world trade; and there might be some system of Customs Drawbacks to Maritime manufacturers using imported raw material and catering for the domestic market, so that, through such drawbacks, the geographical handicap of the Maritimes in relation to the more populous portions of Canada, might be removed or modified. At present, a drawback of 99% of the Canadian import duty is granted on foreign raw material that is *exported* from Canada to any country, in fabricated form.

There appears to be a strong feeling that the Maritimes should not lose every commercial and industrial advantage of their geographical location on the sea,—and, more especially, with regard to their commerce with Great Britain. Certainly, it cannot be denied that, but for the National Protective Tariff, the cost of living in the Maritimes—by reason of their seaboard location—would be the lowest in this Dominion, whereas it is now the highest, notwithstanding the fact that the per capita buying power of the Maritimes is the smallest in this Federation. Thus, we labor under a double-edged disadvantage.

At any rate, it seemed to your Committee that the pressing need for a marked improvement in Maritime economic conditions inspired the suggestion that a Regional Tariff would provide a practical means to that end.

Speaking dispassionately, we believe it to be a simple statement of fact that, with the passing of time, it becomes even more evident, from an economic standpoint, that the federation of the Maritimes with other Provinces of this Dominion is an illogical and artificial circumstance. Were it not, the Maritimes assuredly would have participated reasonably, at least, in the progress

and prosperity so characteristic of every other section of Canada, particularly during the past two or three decades.

Your Committee realized that any introduction of Regional Tariff, no matter in what form, might have disrupting consequences of far-reaching nature. Therefore, the aim of your Committee has been to crystallize some scheme or system involving the minimum of disruption. It is also recognized that, were the Maritimes granted a Regional Tariff, similar demands would follow from other sections of the Dominion where conditions differ totally from those under which our Provinces have struggled for so long. As a consequence, serious cleavages would seem inevitable. Nevertheless, it is submitted that there are circumstances under which National sentiment should not totally obscure these reasonable rights and interests that are nearer to our own hearths and homes.

Your Committee regrets that notwithstanding the effort so sincerely devoted to this subject, it does not feel in a position, as yet, to submit any concrete ideas or suggestions. In this respect, might we add that Sir Andrew Duncan found himself in much the same position with regard to the same matter which he had studied very carefully, as indicated in the first paragraph, page 34, of his Report on Maritime Claims, from which we quote as follows:

“It is true that certain witnesses expressed doubt as to whether the Dominion authorities were prepared, in shaping and administering the general policies of the Dominion, to take regard of Maritime interests, and that it might be that these interests would not be safeguarded unless arrangements were made for the Provinces to have control of their own customs and trade policy. On this latter suggestion, the evidence did not satisfy us that either the steps that could be taken, or the results that could be achieved by any such course, had been seriously thought out; nor do we believe, *and we have given much thought to the subject*, that, within either the spirit or the structure of Confederation, the suggestion contains a workable scheme.”

In the paragraph that follows the above, Sir Andrew makes certain significant remarks: It was contended by witnesses appearing before the Duncan Commission that the Dominion authorities were so busy developing other portions of the country that Maritime interests were being neglected, and particularly such as concerned Maritime natural resources. Here is what Sir Andrew said:

‘We do not ourselves feel it right to express a final view on the proposal for mutual trade treaties for forest products and fish since that would take us too far beyond the Terms of Reference, there being other Provinces, whose interests in these natural products are considerable also—But we do not see that there can be any prejudice to broad Dominion interests by the

Federal Government giving specific consideration to this proposal. Further, we feel that in broad Dominion interests a matter which so vitally affects basic products that are of paramount importance to the Maritime Provinces must be looked at quite definitely and specifically with a view to a deliberate decision being taken. We recommend, therefore, that the Dominion Government should apply its mind to the proposition in the light of Maritime Province interests, and having regard also to the position of other provinces concerned with these same products, and to the Dominion interests generally.'

We have thought it well to quote these two extracts from the Duncan Report. The first indicates that the Duncan Commission gave considerable thought to the subject of Regional Tariff; but were unable to conceive a workable scheme. In the second quotation, the Commission *recommends* that the Dominion Government seriously consider the matter of *Mutual Trade Treaties*, 'in the light of Maritime Province interests.'

We submit that this is a very significant Duncan Recommendation. And, we, respectfully suggest that 'Mutual Trade Treaties' are not totally alien to Regional Tariff."

As suggested in this report there are formidable difficulties in the application of the principle of a regional tariff to the Canadian federation. The objections are partly political and partly administrative in character. Obviously there would be great difficulty in reconciling regional tariffs with the political unity of the Dominion. If a regional tariff were adopted, moreover, in relation to Nova Scotia, under which all goods were admitted to this province free of duty under the British Preference, there would be the necessity of a customs examination of all goods carried from Nova Scotia to the other provinces of the Dominion. The other provinces, at the same time, would be disinclined to maintain duties and subventions on coal or to accept goods of Nova Scotia production free of duty.

When these objections are acknowledged, however, it still remains true that the position of the export industries of Nova Scotia is such as to entitle them on equitable grounds to a special measure of relief from the tariff. It is suggested that a solution may be found by distinguishing between producers' goods and consumers' goods, and by granting tariff concessions on producers' goods brought into Nova Scotia through the medium of drawbacks of the customs duties actually imposed by the Canadian tariff.

The justification of such a measure of relief for the export industries of Nova Scotia can best be illustrated by reference to the apple-growing industry of the Annapolis Valley. From 80% to 85% of the Nova Scotia apple crop is sent abroad chiefly to the British market. It is evident that the maximum benefit derived by this industry from the protected home market extends only to 20% of its total production. It is obliged to meet world competition in respect of 80% of its pro-

duction. Assuming that there is a measure of justice in compelling apple-growers of Ontario to bear their share of the cost of maintaining their domestic apple market by submitting to tariff duties on various types of horticultural machinery and insecticides, it does not appear to be unreasonable that the apple-growers of Nova Scotia who are almost wholly dependent upon the export market should be relieved of duties on insecticides and horticultural machinery to the extent of 80% of the duties imposed under the Canadian tariff. This relief, while suggesting a form of regional tariff, and while being in fact a measure of regional relief from the incidence of the tariff, would be less objectionable from an administrative standpoint than a separate schedule of duties applicable to this province, and would have the additional merit of being merely an extension of a principle in respect of drawbacks which is now incorporated in the Customs Tariff of the Dominion for the encouragement of certain forms of manufacturing.

The claims of the apple industry of Nova Scotia for relief from the tariff are incontestable. An example of the tariff costs it is now compelled to bear may be cited. The tariff duty on the type of spraying machine which is used extensively by the apple-growers of the Annapolis Valley is about \$200.00. In other words the spraying machine would cost about \$200.00 less to the purchaser if the duty were removed. The use of spraying machines is of vital importance to the quality of the apple crop of Nova Scotia. Especially is this so in view of the recent restrictions placed upon second-grade fruit by the British market. Yet in the face of this necessity for up-to-date and efficient spraying machinery it is acknowledged by representative apple-growers that much of the spraying machinery now in use in the Annapolis Valley is obsolete or inefficient.

What has been said of spraying machines is also true of other instruments of production related to the apple industry such as apple-graders, pre-cooling plants, evaporating and canning equipment, and motor trucks. In the Supplementary Report issued by the Royal Commission on The Apple Industry of Nova Scotia in 1930, the need for a larger number of pre-cooling and cold storage plants was strongly emphasized. The need for apple-graders and motor trucks for transport is also imperative. In respect of this equipment the tariff constitutes a heavy burden upon the apple industry of the province. There is a compelling need for relief from these costs of production if the industry is to maintain or expand its position in foreign markets.

The arguments supporting the relief of the apple industry of Nova Scotia through the medium of tariff drawbacks apply with equal force to the fishing and lumbering industries of the province. If these export industries are to flourish they must be relieved so far as possible of costs of production attributable to the tariff. The competition in these branches of production is particularly keen in world markets. In resources and location these industries of Nova Scotia are highly favoured by natural advantages. Their progress has been impeded by the artificial handicaps imposed upon them through the incidence of the tariff.

It has been suggested that regional relief from tariff costs on producers' goods through the medium of drawbacks is open to less objection on the ground of administration than would be the case with a regional tariff. It has been pointed out that the principle of drawbacks has already been adopted in the Customs Tariff for the encouragement of certain forms of manufacturing. Schedule "B" of the Canadian Customs Tariff contains some fifty items upon which the drawback granted to manufacturers vary from 25% to 99% of the duties actually imposed by the tariff. It is difficult to see why there should be greater dangers of abuse and fraud in the administration of drawbacks on the instruments of production of the export industries of Nova Scotia than now exist in respect of the materials upon which drawbacks have been granted to manufacturers. For the most part the instruments of production, such as agricultural machinery, mill machinery, motor trucks, etc., are of a character which would preclude the likelihood of their being resold in other parts of the Dominion. Special precautions and methods of identification could also be applied to goods purchased under the drawback provisions. Articles on which drawbacks were granted to bona-fide fishermen might well be purchased through registered co-operatives whose books would be open to inspection by officials of the Department of National Revenue. Certainly the objections to drawbacks as a measure of regional relief to the export industries of Nova Scotia would appear to have far less weight than the administrative objections to a regional tariff in the form of a separate free list or separate schedule of duties applicable solely to this province.

It is recognized that this proposed measure of relief for the export industries of Nova Scotia presents features which call for a much more detailed examination than has been suggested in the considerations which have been urged in its support. It is submitted to this Commission as one possible approach to the difficult problem of finding a remedy for the disabilities of Nova Scotia under the protective tariff which is compatible with the maintenance of the political unity of the Dominion.

THE DEVELOPMENT OF THE TOURIST INDUSTRY THROUGH DOMINION AID FOR THE CONSTRUCTION OF HARD-SURFACED HIGHWAYS

It has been contended that the Dominion Government, as a compensation for the impoverishment of the economic life of the province through the incidence of the tariff, should undertake developmental works designed to assist in the growth or recuperation of industries for which this province has natural advantages by virtue of resources of location. Attention has been directed to assistance given by the Dominion Government towards the development of one of the basic industries of the province through the medium of subventions for the movement of coal into the industrial markets of Central Canada.

Another field of enterprise in Nova Scotia which may be stimulated greatly by assistance from the Dominion Government is the tourist industry which has lately been under investigation by a special committee of the Canadian Senate. It has

been pointed out that the domestic market for Nova Scotia agricultural products can only be expanded by an increase in its manufacturing population, or by an influx of tourists. It has been indicated that an increase in the manufacturing population is highly improbable under existing conditions. The latest census figures show that from 1921 to 1931 there was a loss of population in Nova Scotia of 10,991 persons. Past experience and the unfavorable position of the province for manufacturing in relation to the Canadian market suggests that there is little likelihood of immigration on an important scale. Under these conditions the only apparent means of expanding the domestic market for agricultural products is by increasing the temporary population of the province during the summer months. That the temporary increase has even now reached substantial proportions is indicated by the following figures, supplied by the Bureau of Information of the Department of Highways. This statement shows the number of tourist motor cars that came into Nova Scotia at various points of entry from the year 1922 to the year 1933 inclusive:

Year	No. of Tourist Motor Cars
1922	1,958
1923	3,870
1924	9,800
1925	11,950
1926	13,096
1927	20,890
1928	23,215
1929	25,279
1930	31,548
1931	37,666 (May 15-Oct. 15)
1932	33,939 do
1933	26,479 do

In 1928 a questionnaire was distributed to outgoing motor tourists during the season. A large percentage of these cards was filled out and returned. An analysis of these reports shows that in that year the average mileage of the motor tourist within the province was 637 miles; the average length of stay was eleven days; the average number in each car was 4. Of those who made returns 20% stayed at tourist camps or with friends, and 80% sojourned at hotels.

It is apparent from these figures that in 1928, for a period of eleven days, the consuming population of the province was increased by more than 100,000 persons by the motor tourist traffic. The figure does not include arrivals by steamship and railway. With these included the addition to the summer population of the province would greatly exceed 100,000. The possibilities of still further development are self-evident.

The unique advantages of Nova Scotia for tourist travel are well-known. Its position on the Atlantic seaboard, its scenic attractions, its rapid steamship connec-

tions with New York and Boston, its cool summer temperature; all have contributed to make it an ideal resort for the summer months. Within recent years the hotel accommodations of the province have been greatly improved through the enterprise of the Canadian Pacific and Canadian National Railways, representing an investment of several million dollars.

The tourist business, it must be noted, is highly competitive, and depends not only upon natural scenic attractions, but also upon the comforts available to those who travel. The one disadvantage under which Nova Scotia labours in respect of the tourist trade is the dust menace on its highways. The evidence is rapidly accumulating to show that the discomfort experienced by travellers on the gravel highways of the province is becoming a serious deterrent to the tourist trade. The Highways Department, over a period of years, has resorted to every available expedient for the removal of this nuisance, but the treatment of roads for the avoidance of dust is so expensive and on the whole so unsatisfactory that the problem has assumed serious proportions.

The only effective means of conserving the tourist trade would appear to be a program of hard-surfacing which eventually would extend to all the main trunk highways of the province, but could begin with the highways bearing a special relation to incoming tourist traffic from the United States and from other provinces of Canada. Thus far the Highways Department of Nova Scotia has found it impossible to finance the building of hard-surfaced highways on any considerable scale. The financial burdens of the province, as will be indicated later, are such as to preclude large capital expenditures for the purpose, although a beginning has been made on a long-term plan during the current year. It is submitted that no additional developmental work undertaken by the Dominion in Nova Scotia would be more stimulating to the general economic welfare of the province than a program of hard-surfacing of selected highways in the province for the direct encouragement of the tourist trade. This program might either take the form of hard-surfacing by the Dominion of that portion of the Trans-Canada highway extending from the New Brunswick boundary to Sydney, or co-operation with the Government of the province in the hard-surfacing of selected routes having a special relation to incoming tourist traffic from the United States and other provinces of Canada.

THE TRANSPORTATION HANDICAP AND THE MARITIME FREIGHT RATES ACT

Reference has been made in a previous section of this submission to the interrelation of tariff policy and transportation handicaps. It has been emphasized that high transportation costs on such heavy commodities as automobiles, motor-trucks, machinery, cement, etc., have placed producers in the province under a severe handicap in meeting competition from producers more favourably situated in relation to the centre of manufacturing activity in Ontario and Quebec. An interesting proposal for the alleviation of this disability was made in the editorial

column of the "Telegraph-Journal" of Saint John, on January 20, 1934. The following quotation will serve to indicate the nature of the proposal:

"All articles manufactured in this country under a protective tariff should be sold f. o. b. point of delivery; that is to say, at a uniform price through this country. That would mean that a little higher charge would have to be made to those persons living in the community in which any particular article is manufactured, and the freight charged to other parts of Canada would be absorbed by the manufacturer What we propose, therefore, is that a policy which is not unknown to many manufacturers, including practically all of those in the Maritime Provinces, and doubtless those of the West, should be adopted as a general policy by Canada. Every province in Canada should be permitted to buy Canadian manufactured goods at a uniform price. The Government can reasonably insist that manufacturers who are not prepared to sell at uniform prices be denied the advantages of tariff schedule."

While the adoption of this proposal in respect of all goods enjoying tariff protection might not be feasible, it is submitted that it is deserving of great consideration in respect of those heavy commodities which enter largely into the costs of producers. At the least, it is a concrete proposal which might well be explored as one means of relief from the transportation handicap suffered by Nova Scotia by reason of its great distance from the centres of manufacturing in the Dominion.

THE MARITIME FREIGHT RATES ACT

An earlier reference has been made to the Maritime Freight Rates Act, 1927, which implemented in part the recommendations of the Royal Commission on Maritime Claims on the subject of transportation and freight rates. This recommendation and the considerations which lay behind it are set out succinctly in Section II of the Report of the Commission, as follows:

7. Maritime Railways.

"For all practical purposes, the rail transportation services of Nova Scotia and Prince Edward Island are controlled by the Canadian National Railways. The other great transcontinental system, the Canadian Pacific Railway, has its Atlantic terminus at St. John, N. B., and serves the Province of New Brunswick in direct line, and on small branches. The Canadian National Railways also have a main line direct through New Brunswick, and handle the greater portion of the tonnage of the three Maritime Provinces taken together—for example, it is estimated that the system handles between 70 percent and 80 percent of the total tonnage of the three provinces. Partly for this reason, and partly also on account of the history of the Intercolonial Railway (which forms the greater part of the Maritimes portion of the Canadian National Railways), evidence submitted to us related almost entirely to the Canadian National Railways system.

8. History of Intercolonial Railway.

The construction of the Intercolonial Railway was an obligation placed upon the Dominion Government by Section 145 of the British North America Act, 1867, which reads as follows:

'Inasmuch as the Provinces of Canada, Nova Scotia and New Brunswick have joined in a Declaration that the construction of the Intercolonial Railway is essential to the Consolidation of the Union of British North America, and to the Assent thereto of Nova Scotia and New Brunswick and have consequently agreed that provision should be made for its immediate construction by the Government of Canada: Therefore, in order to give effect to that Agreement, it shall be the duty of the Government and Parliament of Canada to provide for the commencement within six months after the Union, of a railway connecting the river St. Lawrence with the city of Halifax in Nova Scotia, and for the construction thereof without intermission, and the completion thereof with all practicable speed.'

For many years before Confederation the project of such a railway was actively canvassed both in the Maritime Provinces and in Upper and Lower Canada, not only as an element in the political consolidation of the four provinces but even as a channel of mutual commerce and trading. The Maritime point of view is fairly reflected in the following quotation from the arguments of a Nova Scotian delegation in 1857:

'An Intercolonial railroad would give the means of communication at present wanting. It would open to Canada an Atlantic seaboard on British soil, from which she is now cut off; and would offer to the Lower provinces a ready access to the vast field of enterprise and progress occupied by their fellow subjects in the interior. It would prove a benefit of incalculable value, should it be the precursor of, as it is an absolute necessity towards, a legislative union of Her Majesty's North American provinces—a measure essential to the full development of the power which their situation and character are calculated to confer, and without which they never can attain the high position to which their united energies and advantages would lead them.'

It is unnecessary to pursue the arguments in detail. From some angles it could, no doubt, be urged that the construction of the railways was as much a concession to the demands of the Maritime Provinces as an inducement held out by the other provinces to make Confederation more attractive to the Maritimes. We think, however, that a balanced study of the events and pronouncements prior to Confederation, and at its consummation, confirms the representations submitted to us on behalf of the Maritime Governments in regard to the ultimate construction of the railway, viz:

- (a) That leading Canadian statesmen in urging the adherence of the Maritime Provinces to Confederation defined the purposes of the railroad to be
 - (1) A means of affording to Canadian merchandise, and to Canada herself in times of national and imperial need, an outlet and inlet on the Atlantic ocean—available all the year round—and
 - (2) To afford to Maritime merchants, traders and manufacturers, a market of several millions of people instead of their being restricted to the small and scattered populations of the Maritimes themselves, particularly in the light of the disturbance with which their trade was threatened as the result of the discontinuance by the United States of the reciprocal arrangements that had prevailed.
- (b) That strategic considerations determined the actual course of the line—making it many miles (estimated by Sir Sandford Fleming at 250 miles) longer than was necessary—if the only consideration had been “to connect the cities of the Maritime Provinces with those of the St. Lawrence.”
- (c) That to the extent that commercial considerations were subordinate to national, imperial and strategic considerations, the cost would be borne by the Dominion and not by the traffic that might pass over the line.

9. Rate Structure of Intercolonial Railway.

The Intercolonial Railway was completed in 1876, and it would appear from the evidence we have received that from then until 1912 the interests of the Maritime Provinces were fairly well safeguarded, the freight rate structure being such as to take into account the requirements of their traffic. The lower level of rates that prevailed on the Intercolonial Railway system prior to 1912 is, in our view, rightly to be interpreted as the fulfilment by successive governments of the policy and pledges that surrounded the railway from its inception, whatever impressions may have been created by the form of its administration. Since 1912, changes have taken place in the framework of the rate structure, and increases have been added to the freight rates. The combined effect of these has been to impose upon the merchandise and industry of the Maritimes, a burden which, it is alleged, is quite out of proportion to the increase which has been added since 1912 to the freight structure in other parts of Canada, although it may, in many cases, only have raised Intercolonial Railway rates to the same level of scale as rates in other places.

The net result of these changes is broadly shown by the figures given in evidence by the railway administration who, at our request, furnished us with statistics to show the position now as compared with 1912 for the Intercolonial Railway and for the rest of Canada. These figures reveal that Intercolonial rates have suffered an estimated cumulative increase of 92 percent (i. e., their 100 has become 192). The estimated average increase of rates for the rest of Canada is 55 percent (i. e., their 100 has become 155).

10. Effect of changes in Rate Structures on Maritimes.

The Maritimes case on railway rates was put to us in very considerable detail. The Railway Commission is at the present time dealing with these same details, and we have not formed any opinion on these matters so far as a judgment on their merits would involve consideration of railway administration and policy. On the broader question, however, of the incidence of the existing rates as a whole upon industry and employment in the Maritimes, we have come very definitely to the conclusion that the rate structure as it has been altered since 1912 has placed upon the trade and commerce of the Maritime Provinces, (a) a burden which, as we have read the pronouncements and obligations undertaken at Confederation, it was never intended it should bear, and (b) a burden which is, in fact, responsible in very considerable measure for depressing abnormally in the Maritimes to-day business and enterprise which had originated and developed before 1912 on the basis and faith of the rate structure as it then stood.

11. Recommendation on Freight Rates.

We conceive this to be a position with which—quite apart from details of particular rates—it is our function to deal, and a position which must be dealt with drastically and promptly. We take this view the more readily since the President of the Canadian National Railways system did not dissent from Sir Sandford Fleming's railway estimate that, for strategic reasons, the Intercolonial had followed a course approximately 250 miles greater than would have been followed had it been built merely for commercial purposes. He further explained that, owing to grades and curvatures, the operating and maintenance expenses of this branch of the railway were much greater than the average of the rest of the system, and, still further, that winter conditions in the Maritime Provinces necessitated special expenditure arising from snow and ice conditions—and consequent delays in traffic transit—much in excess of what were experienced in other parts of the system. It is true that the operation of the Atlantic Division has shown an operating deficit in recent years in spite of the higher rate structure (including general war increases) that has been imposed on it since 1912. But there are many considerations to be taken into account in considering that deficit. For our present purpose, it is more material to notice that the President of the Canadian National Railways admitted in evidence, that in administering the Atlantic Division (the greater

portion of which is the old Intercolonial system), no account is being taken in the rate structure of to-day of the special considerations which attach to it as revealed in the pledges and pronouncements already referred to. We feel that the increase arising from the changes that have taken place in freight rates since 1912—over and above the general increase that has taken place in other parts of the National system—is as fair a measure as can be made of these special considerations, and accordingly should be transferred from the Maritimes to the Dominion so that the original intention may be observed.

We recommend, therefore, that an immediate reduction of 20 percent (so that 192 will become approximately 155) be made on all rates charged on traffic which both originates and terminates at stations in the Atlantic Division of the Canadian National Railways (including export and import traffic, by sea, from and to that division), and that the same reduction be also applied to the Atlantic Division proportion of the through rates on all traffic which originates at stations in the Atlantic Division (excluding import traffic by sea), and is destined to points outside the Atlantic Division.

For this purpose, we cannot regard the Atlantic Division as ending at Riviere du Loup and Monk, which are its present western limits. The divisional points should, in our view, be Diamond Junction and Levis, Diamond Junction being the point at which the Transcontinental Railway meets the old Intercolonial Railway, and Levis the point to which, in 1879, the Intercolonial Railway was extended.

It might be contended that a flat rate reduction of the amount we name, and in the manner we name, is open to the objection, that it does not restore the pre-1912 relativity of rates within the provinces themselves, and that it is not an accurate assessment of the charges that arise from the considerations in mind. We do not believe—and the Canadian National Railways have informed us that they also do not believe—that any more accurate or equitable result could be obtained by minute and scientific investigation, which would, in any event, take an indefinite time to conduct. The situation is one that can only be dealt with in a broad spirit, and one that for the economic welfare of the Maritimes must be met without delay. The course we suggest has the effect of giving immediate relief in a manner that is equitable as well as broad. The cost of this relief should be definitely borne by the Dominion Government, who will make the necessary reimbursement to the Canadian National Railways through the medium of the Canadian National Railways Budget, without impairing the financial results of the operation of the system. We are not overlooking that the other great railway system operating in the area would be entitled to equitable consideration if they find themselves prejudiced as a result of the reduction proposed."

The full text of the Maritime Freight Rates Act, 1927, is as follows:

1. "This Act may be cited as the Maritime Freight Rates Act, 1927, c. 44, s. 1.

2. For the purposes of this Act the lines of railway now operated as a part of the Canadian National Railways and situated within the provinces of New Brunswick, Nova Scotia and Prince Edward Island, and the lines of railway, similarly operated, in the province of Quebec extending from the southern provincial boundary near Matapedia and near Courchesne to Diamond Junction and Levis are collectively designated as the "Eastern lines." 1927, c. 44, s. 2.

3. All persons or companies controlling, or concerned in the preparation and issue of tariffs of tolls, to be charged in respect of the movements of freight traffic, whether on behalf of His Majesty or otherwise, upon or over the Eastern lines specified in section four of this Act. and hereinafter called "preferred movements," are hereby authorized and directed upon and after the first day of July, one thousand nine hundred and twenty-seven, to

- (a) Cancel all existing freight tariffs in respect of such preferred movements;
- (b) substitute other tariffs for the tariffs so cancelled showing a reduction in such tariffs of approximately twenty percent.

2. The Board of Railway Commissioners, hereinafter called the Board, is authorized and directed to

- (a) approve such cancellations, and, subject to the provisions of the Railway Act, respecting tariffs of tolls for the carriage of freight, where not inconsistent with this Act, to approve all tariffs of tolls so substituted;
- (b) maintain or cause to be maintained such substituted tariffs, subject to all provisions of the Railway Act respecting tariffs of tolls not inconsistent with this Act, on the general rate level of approximately twenty percent below the tolls or rates existing on the first day of July, one thousand nine hundred and twenty-seven, while the cost of railway operation in Canada remains approximately the same as at the said date, but the Board may allow the increase or reduction of such tolls or tariffs from time to time to meet increases or reductions, as the case may be, in such cost of operations;
- (c) adjust or vary such substituted tolls or rates from time to time as new industrial or traffic conditions arise, but always in conformity with the intent of this Act as expressed in sections seven and eight and other relative sections hereof.

3. Since questions may arise whether substituted tariffs prepared and submitted to the Board are consistent or not consistent with this Act, it is declared that the finding of the Board that any tariff so substituted and approved is inconsistent shall take effect only upon such finding, and the tariff in question shall be deemed to be the lawful tariff until disallowed by the Board as incon-

sistent, and until a proper substituted tariff satisfactory to the Board is filed and approved. 1927, c. 44, s. 3.

4. The following are preferred movements as referred to in section three and other sections of this Act:

- (a) Local traffic, all rail—Between points on the Eastern lines; for example, Sydney to Newcastle;
- (b) Traffic moving outward, westbound, all rail—From points on the Eastern lines westbound to points in Canada beyond the limit of the Eastern lines at Diamond Junction or Levis; for example, Moncton to Montreal—the twenty percent reduction shall be based upon the Eastern lines proportion of the through rate or in this example upon the rate applicable from Moncton west as far as Diamond Junction or Levis;
- (c) Traffic moving outward, export traffic, rail and sea—From points on the Eastern lines through ocean ports on the Eastern lines destined overseas; for example, Fredericton to Liverpool via St. John—the rate affected shall be that applicable from Fredericton to St. John.

2. Traffic moving over the car ferries shall be treated as all rail traffic. 1927, c. 44, s. 4.

5. For greater clearness, but without intending to enlarge by any omission the scope of section four of this Act, it is declared that the following are not preferred movements:

- (a) Traffic moving inward or outward to or from the United States, all rail—From or to points in the United States to or from points on the Eastern lines;
- (b) Traffic moving inward, eastbound, from Canada, all rail—From points in Canada not on the Eastern lines eastbound to points on the Eastern lines; for example—Toronto to Moncton;
- (c) Import traffic to Canada, originating at points overseas; for example, Liverpool to Moncton or to Toronto;

(d) Passenger movements and express movements. 1927, c. 44, s. 5.

6. For accounting purposes, but without affecting the management and operation of any of the Eastern lines, the revenues and expenses of the Eastern lines, including the reductions herein authorized shall be borne by the Eastern lines, shall be kept separately from all other accounts respecting the construction, operation or management, of the Canadian National Railways.

2. In the event of any deficit occurring in any Railway fiscal year in respect of the Eastern lines the amount of such deficit shall be included in a separate item in the estimates submitted to Parliament for or on behalf of the Can-

- adian National Railways at the first session of Parliament following the close of such fiscal year. 1927, c. 44, s. 6.

7. The rates specified in the tariffs of tolls, in this Act provided for, in respect of preferred movements, shall be deemed to be statutory rates, not based on any principle of fair return to the railway for services rendered in the carriage of traffic; and no argument shall accordingly be made, nor considered in respect of the reasonableness of such rates with regard to other rates, nor of other rates having regard to the rates authorized by this Act. 1927, c. 44, s. 7.

8. The purpose of this Act is to give certain statutory advantages in rates to persons and industries in the three provinces of New Brunswick, Nova Scotia and Prince Edward Island, and in addition upon the lines in the province of Quebec mentioned in section two, together hereinafter called "select territory," accordingly the Board shall not approve nor allow any tariffs which may destroy or prejudicially affect such advantages in favour of persons or industries located elsewhere than in such select territory. 1927, c. 44, s. 8.

9. Other companies owning or operating lines of railway in or extending into the select territory may file with the Board tariffs of tolls respecting freight movements similar to the preferred movements, meeting the statutory rates referred to in section seven of this Act; and the Board, subject to all the provisions of the Railway Act respecting tariff of tolls, not inconsistent with this Act, shall approve the tariffs of tolls filed under this section.

2. The provisions of subsection two of section three and of sections seven and eight of this Act shall apply to the tariffs of tolls filed under this section.

3. The Board on approving any tariff under this section shall certify the normal tolls which but for this Act would have been effective and shall, in the case of each company, at the end of each calendar year promptly ascertain and certify to the Minister of Railways and Canals the amount of the difference between the tariff tolls and the normal tolls above referred to on all traffic moved by the company during such year under the tariff so approved; and the company shall be entitled to payment of the amount of the difference so certified and the Minister of Railways and Canals shall submit such amount to Parliament if then in session, or if not, then at the first session following the end of such calendar year, as an item of the estimates of the Department of Railways and Canals.

4. The Board shall, in every third year and at any time upon the request of the Governor in Council, ascertain and certify to the Minister of Railways and Canals whether under the provisions of the Railway Act, the normal tolls referred to in subsection three hereof, should be revised and in the event of such revision the revised normal tolls shall thereafter be used instead of the

normal tolls referred to in the said subsection in calculating the difference to be paid to the Company thereunder. 1927, c. 44, s. 9.

10. Other lines of railway from time to time operated within the select territory as part of the Canadian National Railways may be included within the Eastern lines as designated in section two of this Act and made subject to this Act by an Order or Orders of the Governor in Council; and any lines designated as Eastern lines may upon such lines ceasing to be operated as a part of the Canadian National Railways, be from time to time withdrawn from such designation of Eastern lines by similar Order or Orders.

2. The Governor in Council is hereby authorized at any time or times at discretion to pass any Order in Council for the purposes and with the effect mentioned in this section. 1927, c. 44, s. 10.

11. The Board may hear and determine all questions arising under this Act subject to such rights of appeal as are provided in the Railway Act. 1927, c. 44, s. 11.

12. The interpretation clauses of the Railway Act shall apply to all words or expressions used in this Act. 1927, c. 44, s. 12.

THE PREAMBLE OMITTED IN THE REVISED STATUTES

The text of the Maritime Freight Rates Act, as set out above, is that given in the Revised Statutes of the Dominion of Canada. When the Act was originally passed by the Dominion Parliament it contained the following preamble:

"WHEREAS the Royal Commission on Maritime claims by its report, dated September 23rd, 1926, has, in effect, advised that a balanced study of the events and pronouncements prior to Confederation, and at its consummation, and of the lower level of rates which prevailed on the Intercolonial system prior to 1912, has in its opinion, confirmed the representations submitted to the Commission on behalf of the Maritime Provinces, namely, that the Intercolonial Railway was designed, among other things, to give to Canada in times of national and imperial need, an outlet and inlet on the Atlantic Ocean, and to afford to Maritime merchants, traders and manufacturers the larger market of the whole Canadian people instead of the restricted market of the Maritimes themselves, also that strategic considerations determined a longer route than was actually necessary, and therefore that to the extent that commercial considerations were subordinated to national, imperial and strategic conditions the cost of the railway should be borne by the Dominion, and not by the traffic which might pass over the line; And whereas the Commission has, in such report, made certain recommendations respecting transportation and freight rates, for the purpose of removing a burden imposed upon the trade and commerce of such Provinces since 1912, which the Commission finds, in view of the pronouncements and obligations undertaken at Confederation, it was never intended such commerce should bear; And whereas it is expedient that effect

should be given to such recommendations in so far as it is reasonably possible so to do without disturbing unduly the general rate structure in Canada; Therefore His Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows.

Inasmuch as this preamble places the Maritime Freight Rates Act in its proper historical setting and directs attention to the important economic and political considerations upon which it was founded, it is submitted that this preamble should be included in any further publications of the Revised Statutes of Canada.

ADMINISTRATION AND INTERPRETATION OF THE MARITIME FREIGHT RATES ACT

It will be noted that Section 8 of the Maritime Freight Rates Act declares that its purpose is to give certain statutory advantages in rates to persons and industries in the three provinces of New Brunswick, Nova Scotia and Prince Edward Island, and upon the lines in the Province of Quebec, mentioned in Section 2, and that the Board of Railway Commissioners shall not approve nor allow any tariffs which may destroy or prejudicially affect such advantages in favour of persons or industries located elsewhere than in such select territory.

It is the clear intent of this section to maintain the advantages given by the Act. In other words, if a special commodity rate on a movement of traffic from Toronto to Montreal should be filed by a railway company subsequent to the passing of the Act, the Board is charged with the duty on application or complaint filed by or in behalf of interested shippers of ensuring that the new rate shall not destroy or prejudicially affect the advantages designed to be conferred on persons or industries within the select territory. The Board could discharge this duty by refusing to approve the new rate from Toronto to Montreal, as filed by the railway company, or by requiring that a commensurate reduction should be made in the rate on the same traffic when originating within the select territory so that the relation of the rates on this traffic from Toronto to Montreal and from Halifax to Montreal should be maintained as of July 1, 1927. Otherwise it is evident that the advantages conferred upon persons and industries located in the select territory would soon cease to have any reality.

It is apparent from the nature of this protective clause that the efficacy of this method of safeguarding the advantages conferred by the Act depends upon the vigilance exercised by shippers in the Maritime Provinces in scrutinizing new rates filed by the railway companies with the Board of Railway Commissioners, and in protesting these rates where there is a reasonable inference that they are prejudicial to persons and industries in the select territory. Having this purpose in mind, the Maritime Transportation Commission maintained a freight rates counsel during the period immediately following the passage of the Maritime Freight Rates Act. With the suspension of the Maritime Transportation Commission on September 30, 1930, this protection was withdrawn, and shippers in the Maritime Provinces have lacked any organized facilities for the examination of rates which might be prejudicial to their interests. The withdrawal of this protection is not to be imputed to any fault on the part of the Dominion Government, but was the result

of the failure of the Governments of the three Maritime Provinces to extend financial support to the Maritime Transportation Commission. It may be stated that the Maritime Transportation Commission has now been re-established, and that the first task confronting it is the review of the special commodity and competitive rates published by the railways during the period which has elapsed since its operations were suspended. The importance of carrying out this investigation as soon as possible cannot be emphasized too strongly.

Apart from the necessity of an early review of changes in the general rate structure which have taken place during the past four years, it has become necessary to consider the policy adopted by the Board of Railway Commissioners in the interpretation of its duties under Section 8 of the Maritime Freight Rates Act. Section 7 of the Act states that "the rates specified in the tariffs of tolls, in this Act provided for, in respect of preferred movements, shall be deemed to be statutory rates, not based on any principle of fair returns to the railway for services rendered in the carriage of traffic; and no argument shall accordingly be made, nor considered in respect of the reasonableness of such rates with regard to other rates, nor of other rates having regard to the rates authorized by this Act." Nowhere in this legislation is there any support for the view that the railway companies might file and maintain special competitive rates induced by motor-trucks or water competition which do in fact affect prejudicially the advantages conferred by the Act in favour of persons or industries located elsewhere than in the select territory. Within the past four years, however, there has been a marked increase in the number and diversity of special rates filed by the railway companies to meet motor-truck competition. Within the same period there have been many changes in rates, induced by water competition arising from the keen rivalry of steamship companies engaged in carrying both heavy and package freight on the Great Lakes and St. Lawrence water system. These special rates have been developed particularly within the compact industrialized area of Ontario and Quebec, the entrance to which by shippers of the Maritime Provinces under more favourable rates than had hitherto existed, was one of the primary objects of the Maritime Freight Rates Act. The Board of Railway Commissioners has adopted the view that rates established by the railway companies to meet motor-truck and water competition do not fall within the protective features of Section 8 of the Maritime Freight Rates Act. In other words, a special commodity rate on a traffic movement from Toronto to Montreal, which under ordinary conditions might be held to affect prejudicially the advantages conferred by the Maritime Freight Rates Act on shippers in the Maritime Provinces, will not be disallowed on this ground if the special rate in question has been filed by the railway company to meet truck or water competition. This ruling was issued on application of the railways and interested shippers outside the Maritime Provinces and without an opportunity being given the Maritime Provinces to make any representations. A question has also been raised as to the status under the Act of industries established in the select territory subsequent to the passage of this legislation.

While it is realized that the railway companies have been placed in a difficult position as a result of the rapid growth of truck and water competition in recent years, it is submitted nevertheless, that the policy adopted by the Board of Railway Commissioners in relation to the effect of these competitive rates on the rate structure created by the Maritime Freight Rates Act is contrary to the spirit and intent of that legislation, and has opened the door to such a broad revision of the general rate structure by special competitive rates as to already undermine very seriously the position of shippers in the Maritime Provinces who seek a market for their products in Ontario and Quebec. The true situation will only become apparent when the reorganized Maritime Transportation Commission becomes operative. It appears desirable to have defined or clarified at the earliest moment the powers and duties of the Board of Railway Commissioners under Section 8 of the Maritime Freight Rates Act, in respect of special rates established by the railway companies to meet truck and water competition. If these special rates do not come under the provisions of that Act—which apparently is the ruling of the Board—then it must follow as a consequence that the benefits conferred upon the Maritime Provinces will be gradually whittled away, and the position of shippers in these provinces will have to be reconsidered in the light of the new situation. It cannot be stressed too strongly that the Maritime Freight Rates Act was a measure of remedial legislation, designed to remove by statutory authority a species of discrimination against the Maritime Provinces, which had grown up in the interval between 1912 and 1927 as indicated in the Report of the Royal Commission on Maritime Claims. The present policy of the Board in respect of these special competitive rates, if continued, will deprive that legislation of its remedial character and restore in large part the discrimination the Act was designed to remove.

SUBSIDIES PAID TO THE RAILWAYS UNDER THE MARITIME FREIGHT RATES ACT

The Report of the Royal Commission on Maritime Claims recommended that the Canadian National Railways should be paid in respect of the amount of rate reduction recommended in the Report.

With respect to railways other than the Canadian National Railways, the Report states that they might be entitled to equitable consideration if they could prove prejudice arising from the reduction. (For authority see bottom page 22 and top page 23, Report of Commission on Maritime Claims).

The legislation implementing the recommendation (The Maritime Freight Rates Act) provided for the following payments in addition to the subsidy to the Canadian National Railways on account of the 20% reduction:

1. Payment of all operating losses on lines east of Diamond Junction (Canadian National Railways).
2. Subsidies to railways other than the Canadian National Railways for reductions which these lines might have to make to meet Canadian National competition.

The Annual Report of the Department of Railways and Canals, 1933, at page 49, gives the following statement of payments made under the Maritime Freight Rates Act:

1. Total subsidy paid Canadian National Railways on account of Maritime Freight Rates Act rate adjustment, 1927/28 to 1932/33.....	\$11,196,200.00
2. Total amount paid railways other than Canadian National Railways for rate reduction during period 1927/28 to 1932/33.....	4,100,798.00
3. Total amount paid on account freight rate adjustment during period.....	15,296,999.00
4. Total amount paid Canadian National Railways for operating losses aside from rate adjustment.	32,905,783.00
Total payments under the Maritime Freight Rates Act.....	48,202,783.00

The impression left by the caption of this account is that it has cost the Canadian Government \$48,202,783.00 to provide the freight rate relief to Maritime shippers, whereas the amount paid in respect of the rate reduction was only \$15,296,999.00 for the period 1927/28 to 1932/33.

The unfortunate feature of this method of accounting is that the amount of \$48,202,783.00 is the sum left in the minds of the public as being the total relief given to Maritime shippers under the Maritime Freight Rates Act, whereas it should have been not more than \$15,296,999.00. This false impression should be corrected by such amendments of the Maritime Freight Rates Act as will effect this purpose.

THE INTERCOLONIAL RAILWAY

The Intercolonial Railway was formerly a distinct system with its executive offices established at Moncton, a central geographical point in the Maritime Provinces. As a result of its consolidation with other railways acquired by the Dominion Government in the period 1916-1921, it has become an integral part of the system known as the Canadian National Railways. The executive offices of the Canadian National Railways are located in Montreal. This removal of the executive control of the Intercolonial Railway from the Maritime Provinces has led, perhaps inevitably, to a loss of direct and continuous contact between the management and the economic interests of these provinces. This unfortunate consequence of the fusion of the Intercolonial Railway in the Canadian National System received the attention of the Royal Commission on Maritime Claims and was referred to specifically in the Report at page 24, as follows:

"The President of the Canadian National Railways system indicated that he proposed to establish between the railway administration and the Maritime Provinces a closer and more ready contact than exists today. It is his intention to establish an office of his own at Moncton where he can personally spend a certain amount of time, periodically, to see whether by closer association there can be a better appreciation of each other's problems. This we regard as an important and significant step, as it will ensure to the Maritime Provinces (insofar as they, in an organized and systematic way, avail themselves of it) the opportunity of reviewing from time to time with the head of the National Railways trade and railway problems that specially concern them. These will include the question of more speedy transportation, a subject upon which—particularly as regards fish and perishable freight generally—we heard considerable complaint in the course of the evidence. The railway administrators also indicated their readiness to consider special arrangements for faster transit for fish."

Although steps were taken by the President of the Canadian National Railways to carry out this undertaking it has not been implemented in the sense intended up to the present time. It is suggested that both the Canadian National Railways and the Maritime Provinces would benefit from the closer contact which would result from the completion of the proposed arrangements for improved co-operation.

It is also necessary to state that should this improved co-operation not be established, and if the Maritime Freight Rates Act is not carried out in spirit and letter, a question will certainly be raised in this province as to the desirability of operating the Intercolonial Railway as a separate entity.

THE FISHERIES OF NOVA SCOTIA

The fisheries of Nova Scotia are under the jurisdiction of the Dominion. Within recent years the fisheries of this and other provinces of Canada have been the subject of several investigations. The problems of the fishing industry of the Maritime Provinces were examined by the Royal Commission on Maritime Claims in 1926. This was followed by an inquiry by the Royal Commission in 1928, investigating the fisheries of the Maritime Provinces and the Magdalen Islands. This in turn was succeeded by a Marketing Investigation, conducted in 1932 by Cockfield, Brown & Company, Limited, for the Minister of Fisheries. Certain aspects of the fishing industry are now being studied by the Dominion Royal Commission on Mass-buying and Price Spreads.

Some important and useful recommendations emerged from these earlier investigations which have been implemented to the advantage of the industry. Owing, however, to the onset of the economic depression and the extremely low prices which have prevailed during the past five years, it must be acknowledged that the condition of the fisheries of Nova Scotia is less favourable at the present time than during the period of the earlier investigations referred to above. This Commission

will have an opportunity of viewing the problems of the fishermen at various centres of the industry throughout the province, and of estimating the gravity of these problems in the light of the important changes in marketing conditions which have taken place during the past few years.

It has been indicated at an earlier point in this submission that the fisheries of Nova Scotia form one of its most important export industries. A market of growing importance has been developed for fresh fish in Canada, but the market for cured fish and lobsters is essentially in foreign countries where recent changes in habits of consumption, dislocation of foreign exchanges, and state-aided competition have combined to create conditions which might almost be described as chaotic. With such conditions confronting exporters of fish it is obvious that the returns to individual fishermen must be meagre and uncertain unless and until some means can be found of increasing the export price of fish, or of decreasing the domestic cost of production. Apart from the normal improvement in export prices which may be expected to flow from increased demand with improving business conditions, it would appear that the only means of increasing the returns to fishermen lies in direct subsidies or bounties, or in an organized effort to lower costs of production. As to the first method, it is necessary to recognize that it may, in its ultimate effect, retard rather than advance the welfare of the industry. Competition in the granting of subsidies by exporting countries offers little promise of restoring the industry to a sound economic basis. More permanently useful results are more likely to follow from co-operation among the exporting countries, with a view to the removal of the abuses of destructive competition. Should this co-operation be impossible of achievement, the position of the export fishing industry will have to be reconsidered in the light of the situation thus created.

As to the reduction of costs of production, it must be conceded that the present plight of the fishing industry is such as to warrant the largest possible measure of relief from all costs which are within the control of government. It has been suggested already that relief from tariff costs through drawbacks may fairly be expected by the fishing industry to the extent that it is dependent upon export markets. It is possible that an even larger measure of relief may be necessary, and that the fishing industry should be placed in a preferred position with respect to both Dominion and provincial taxation until it is able to establish itself on a firm footing. In this connection it may be noted that the Report of Cockfield, Brown & Company Limited recommended that the Minister of Fisheries consider the formulation of a fiscal policy with respect to fisheries, and all industries and trades dependent thereon, based upon the principle, among others, "that the Government refrain from levying any taxation (other than that which applies to all industries and groups) particularly directed to those engaged in the production, processing and marketing of fish, until such time as the industry has attained a reasonably prosperous and self-reliant status"

It has been pointed out that a market for fresh fish has been developed in Canada. This market has absorbed as much as 20% of the normal fish production

of Nova Scotia. In this market artificial measures to enhance prices have at least a better prospect of success than in the export markets. During the past session of Parliament a Marketing Act was passed under which a machinery is in process of creation which may assist in curbing ruinous competitive practices in the Canadian market and contribute at the same time to a more stable and higher price level.

THE HALIFAX AWARD

The Government of Nova Scotia wishes to bring to the attention of the Commission a recommendation made by the Fisheries Commission of 1928 with respect to the Halifax award. The nature of the claim of the province under this head and the basis of the recommendation are indicated in the following extract from the Report of the Royal Commission Investigating the Fisheries of the Maritime Provinces and the Magdalen Islands, 1928:

“By Article XVIII of the Treaty of Washington, 1871, inhabitants of the United States were permitted for the term of years mentioned in Article XXXIII of the Treaty, to take fish of every kind, except shellfish, on the sea coast and shores and in the bays, harbours and creeks of the Provinces of Quebec, Nova Scotia, New Brunswick and Prince Edward Island, without being restricted to any distance from the shore. They were also permitted to land upon the said coasts and shores, and also upon the Magdalen Islands, for the purposes of drying their nets and curing their fish. This privilege applied solely to the sea fisheries; salmon and shad fisheries and all other fisheries in rivers and in the mouths of rivers were reserved exclusively for British fishermen. Under Articles XXII and XXIII of the Treaty, Commissioners were appointed to determine the amount of any compensation which in their opinion ought to be paid by the Government of the United States to the Government of Great Britain, in return for the privileges accorded to the citizens of the United States, under Article XVIII of the Treaty. On November 23rd, 1877, the Commission awarded the sum of Five Million Five Hundred Thousand Dollars to be paid by the Government of the United States to the Government of Great Britain. This amount was not paid until the month of January, 1879. Later the British Government paid One Million Dollars of the award to the Government of Newfoundland, and Four Million Five Hundred Thousand Dollars to the Government of Canada. The amount paid to Canada went to the Treasury as Consolidated Revenue. We are informed by officers of the Department that expenditures incurred by the Government of Canada in connection with the work of the Commission, amounted to about Five Hundred Thousand Dollars, and that the amount of Four Million Dollars has always been recognized as the net amount received by Canada.

Subsequent to the payment to the Government of Canada of its proportion of the award, the claim was made on behalf of the fishermen of the Atlantic Coast that this sum should not be regarded as a part of Consolidated Revenue, but that the entire award or at least the annual interest on it, should be speci-

fically devoted to the developing of the Atlantic Coast fisheries, and to the improving of the condition of the fishermen. In 1882, the Parliament of Canada made provision for an annual grant of One Hundred and Fifty Thousand Dollars to aid in the development of the deep sea fisheries of Canada and in the encouragement of the building and fitting out of improved fishing vessels. Later, this legislation was amended so as to provide an annual grant of One Hundred and Sixty Thousand Dollars, and from this grant the annual fishing bounties have since been paid to certain vessels, boats and fishermen. The suggestion was made that the interest for three years upon the principal of the Canadian portion of the award, that is, for the years from 1879 to 1881 inclusive, had never been appropriated for any of the purposes mentioned in the Deep Sea Fisheries Act, or for any similar purposes, and that the interest for this period, together with interest thereon, should now be appropriated by Parliament and devoted to special uses in the interest of the Atlantic coast fisheries and fishermen.

It is regrettable that the legislation empowering the Governor-in-Council to authorize an annual grant of \$160,000 does not in specific terms state that this appropriation is for the benefit of the sea fisheries of Canada on the Atlantic coast. Since 1882 the grant has been distributed in the form of bounties to fishermen and to certain boat and vessel owners in Quebec and the Maritime Provinces. From the House of Commons Debates of 1882, when the resolution upon which was founded the legislation of 1882, was passed, it is plain that this annual grant was regarded as the interest upon the amount of the Halifax award. We should not think it too late to amend the Deep Sea Fisheries Act so as to make it clear that the grant is applicable only to the Atlantic coast fisheries, and we think that such amendment might avoid controversy in the future.

Conceding that the annual grant paid since 1882 was intended to represent the interest upon the Halifax Award, it would seem that the interest for the three years, 1879, 1880, and 1881 might with fairness be appropriated for disbursement in the interest of the fisheries and fishermen of the Atlantic coast. Apparently, at the time of the award it was contended by the Maritime Provinces and Quebec that the principal sum or the annual interest thereon should be applied to the development of their coast fisheries. Considering the grounds upon which the award was paid, the request that the three years unpaid interest be appropriated by Parliament to be applied to useful purposes in connection with the Atlantic fisheries or fishermen appears to us to be fair and equitable, and we recommend that this amount be so appropriated and applied. We recommend, however, that it be not applied to any of the purposes mentioned in the Deep Sea Fisheries Act, that is for bounties to boats, vessels and fishermen, but that it be specially devoted to such productive uses as assistance in the construction of brine freezing plants, fish meal plants, driers, bait and cold storage plants for organized groups of fishermen, or others engaged in any phase of the industry, upon proper terms and condition, and to such other sub-

stantial purposes as may appear desirable; the amount apportioned to Quebec and the Maritime Provinces should be in the proportions in which the Fishing Bounties were distributed in 1928.

As stated, representations were made to us that interest upon the unpaid three years' interest so-called, should enter into the calculation, and amounts varying from three million dollars to fifteen million dollars were suggested to us as the sum we should recommend for appropriation by Parliament. So far as we know it is only in recent years that any such claim has been made. We do not think that there is any substance or foundation for this claim for accumulations of interest upon the three years' unpaid interest."

It will be noted that this recommendation was agreed to unanimously by a Commission appointed by the Dominion Government. It has not yet been implemented. It is submitted in behalf of the Nova Scotia Government that the recommendation should be accepted without further delay and made retroactive to the year following the publication of the Report of the Fisheries Commission. The moneys thus accruing for the benefit of the fisheries of Nova Scotia could be made available for such measures of permanent and practical benefit for the industry as may be recommended by the Commission. In this connection the attention of the Commission is directed to a view expressed on various occasions that a Loan Fund or Insurance Fund should be created which would permit shore fishermen to re-establish themselves when their boats or gear have been lost as a result of storms or other uncontrollable causes.

CHAPTER XIV.

THE FINANCIAL ARRANGEMENTS BETWEEN THE DOMINION AND THE PROVINCES

In the cases submitted on behalf of the three Maritime Provinces to the Royal Commission on Maritime Claims in 1926, much attention was given to problems arising out of the financial arrangements between the Dominion and the provinces. It is unnecessary to recapitulate here the substance of the arguments presented on behalf of the Maritime Provinces. Reference has been made at an earlier point in this submission to the original financial arrangements set out in the British North America Act, and to such modifications of these arrangements as were made prior to the appointment of the Royal Commission on Maritime Claims in 1926. In the case submitted to the Royal Commission on behalf of the Government of Nova Scotia, there is a particularly full statement of the claims of the Maritime Provinces for an upward revision of subsidies. The reference begins at page 58 and concludes at page 113, of the Nova Scotia submission. A summary of the financial arrangements between the Dominion and the provinces is contained in Section 1 of the Report of the Royal Commission on Maritime Claims. It will suffice at this point to set out broadly the conclusions reached by the Royal Commission on Maritime Claims in 1926, as to the validity of the representations submitted by the three Maritime Provinces in support of an increase in the annual subsidies receivable from the Dominion Government. After hearing argument and making its own investigations into the financial position of the three Maritime Provinces, the Royal Commission on Maritime Claims recognized that the Maritime Provinces were entitled to increased subsidies in relation to

- (1) Support of Government machinery and legislation.
- (2) Public debt allowance.
- (3) Compensation for public lands given to certain other provinces of the Dominion through extension of their boundaries.

On the first item—grants in aid of government machinery and legislation—the Royal Commission reported as follows:

“On a full consideration of their argument and their circumstances, we think the Maritime Provinces have made out a case for a revision of the grant from the Dominion in support of their government machinery and activity.” (p. 16).

On the second item—public debt allowance—the Royal Commission on Maritime Claims reported as follows:

"We find ourselves in agreement with the contention of the Maritime Provinces that they have been and are being dealt with differently from the Western Provinces, and we think that they are entitled to have their allowance reconsidered." (p. 17).

On the third item—compensation for public lands granted to other provinces—the Royal Commission reported as follows:

"The claim is of course a very belated one, but it is advanced, as we understand it, on very broad, equitable grounds, rather than upon strict contract. We think it must be looked at in the general financial revision of readjustment which we are suggesting for the Maritime Provinces." (p. 19).

As a result of the foregoing findings, the Royal Commission on Maritime Claims for 1926 made the following specific recommendations in respect to the financial arrangements between the Dominion and the Maritime Provinces.

CONCLUSIONS OF THE ROYAL COMMISSION ON MARITIME CLAIMS ON FINANCIAL ARRANGEMENTS BETWEEN THE DOMINION AND PROVINCES.

"It follows from what we have said, that both in respect of grants for the machinery of governments, and in respect of debt allowances, the Maritime Provinces have satisfied us that they have a genuine claim to a readjustment of the financial arrangements that exist between the Dominion and themselves, and that in any readjustment their territorial limitations entitle them to still further consideration.

The terms of readjustment are obviously a matter for detailed determination and assessment, so that the actual amount—as well as the reasons and purposes attaching to it—can be recognized by the rest of Canada as fair and equitable. It is not possible, therefore, to make a final recommendation as to the increase and form of Dominion aid which is required to satisfy the just claims of the Maritime situation, but we recommend that the Dominion Government should give immediate consideration to the whole of this subject, with a view to a complete revision of the financial arrangements as between them and the Maritime Provinces. We do not feel, however, that it would be right or wise that the Maritime Provinces, in their present state of grave necessity, with deficits accumulating against them in their ordinary revenue and expenditure, should be left in suspense until a re-assessment is made by the Dominion Government, and accordingly we recommend that immediate interim lump-sum increases should be made in the payments to the three Maritime Provinces, as follows:

Nova Scotia	\$875,000
New Brunswick	600,000
Prince Edward Island	125,000

These interim payments should be continued until the Dominion Government has had time to complete its investigation and re-assessment. We are strengthened in making this recommendation as to an interim payment by the resolution passed unanimously at the Inter-Provincial Conference, held at Ottawa in June, 1926, brought to our notice by the Nova Scotia Government as follows-

"That this conference expresses its sympathy with those provinces which by reason of conditions peculiar to them have not progressed as anticipated, and urges upon the Federal Government that it should favourably consider affording relief to each of such provinces in a form that will ameliorate these conditions."

In suggesting the foregoing sums we have fixed what we believe to be the minimum addition that the three Maritime Provinces should have in any such revision, particularly taking into account past history and the fact that in some aspects of their claim, there is a retrospective or retroactive feature. They claimed that any revision should provide for a fixed sum in respect of the retroactive element. We are unable to recommend that form of payment, but have preferred to take the retrospective feature into account in naming a minimum. We believe it is a sufficient minimum interim payment to insure that the governments of these provinces will approach any stable settlement of their financial relationships with the Dominion, not in a spirit of meticulous bargaining, but in the broad spirit which arises from a feeling of their being met with sympathy and fairness rather than with narrow compromise. These payments, also, will enable the provinces to undertake the more extensive program in relation to agriculture, colonization, education and other spheres of administration, which, they represented to us, they are precluded from undertaking now because of the inadequacy of their assistance from the Dominion Government." (P. 19).

THE FAILURE OF THE DOMINION GOVERNMENT TO IMPLEMENT THE RECOMMENDATION IN REGARD TO RE-ASSESSMENT OF PROVINCIAL SUBSIDIES

It will be noted from the recommendation of the Royal Commission on Maritime Claims that the increased subsidies recommended for the three Maritime Provinces were to be regarded as interim lump-sum increases, which should be continued until such time as the Dominion Government has completed its investigation and re-assessment on subsidies payable to the provinces. The recommendation as to the payment of the interim lump-sum increases was implemented without unnecessary delay by the legislation enacted by the Dominion Parliament in the session of 1927. On a subsequent date, January 20, 1930, the Dominion Government referred the matter of re-assessment to the Dominion Audit Board. It was stated

from time to time that the Audit Board was proceeding with its investigations, but an interim report, dated October 8, 1930, was only made public in a parliamentary return in May, 1934. On August 1st, 1934 the Dominion Government, following a conference with representatives of the Maritime Provinces, agreed to appoint a Royal Commission to carry out the re-assessment of subsidies proposed by the Royal Commission on Maritime Claims in 1926.

CHANGES IN SUBSIDY SITUATION SINCE 1927

The Royal Commission on Maritime Claims recommended that the Dominion Government should give immediate consideration to the whole subject of provincial subsidies with a view to a complete revision of the financial arrangements subsisting between the Dominion and the Maritime Provinces. It must be emphasized that the special sums recommended as interim lump-sum increases were to be regarded as a minimum.

"We believe it is a sufficient minimum interim payment to ensure that the Governments of these provinces will approach any stable settlement of their financial relationships with the Dominion, not in a spirit of meticulous bargaining but in the broad spirit which arises from a feeling of their being met with sympathy and fairness rather than that of narrow compromise." (p. 19).

It would appear from the report of the Royal Commission on Maritime Claims that the re-assessment of subsidies was to apply only to the financial relations between the Dominion and the Maritime Provinces, on the assumption that their particular needs entitled them to special equitable consideration. It would appear that the investigations of the Audit Board were pursued on this basis, if at all. More than seven years have now passed since the publication of the Report of the Royal Commission on Maritime Claims. During this interval certain events have taken place which have a direct bearing upon the broad question of subsidy revision and emphasize anew the necessity of a general investigation of the entire question of the financial arrangements between the Dominion and the provinces.

THE RETURN OF THE NATURAL RESOURCES TO WESTERN PROVINCES IN 1930 WITH CONTINUATION OF SUBSIDIES PREVIOUSLY PAID TO THESE PROVINCES IN LIEU OF LANDS

In reaching their conclusions in support of an increase in the subsidies payable to the Maritime Provinces, the Royal Commission in 1926 was influenced evidently by the relative treatment accorded to the Western provinces and the Maritime Provinces. This is particularly true in respect of the contention of the Maritime Provinces, that they had been treated differently from the Western provinces in respect to public debt allowances. To quote from the Report of the Commission:

"We find ourselves in agreement with the contention of the Maritime Provinces that they have been, and are being, dealt with differently from the

Western provinces, and we think they are entitled to have their claims considered."

It is necessary to recall, at this point, that when the Western provinces of Manitoba, Alberta and Saskatchewan were formed their natural resources were retained by the Dominion Government, and these provinces were given certain annual grants, which were known as subsidies in lieu of lands. Section 20, of the Alberta Act, 1905, provides as follows:

"Inasmuch as the said province will not have the public land as a source of revenue, there shall be paid by Canada to the province by half-yearly payments, in advance, an annual sum based upon the population of the province as from time to time ascertained by the quinquennial census thereof, as follows:

The population of the said province being assumed to be at present two hundred and fifty thousand, the sum payable until such population reached four hundred thousand, shall be three hundred and seventy-five thousand dollars;

Thereafter, until such population reaches eight hundred thousand, the sum payable shall be five hundred and sixty-two thousand five hundred dollars;

Thereafter, until such population reaches one million two hundred thousand, the sum payable shall be seven hundred and fifty thousand dollars;

And thereafter the sum payable shall be one million one hundred and twenty-five thousand dollars.

2. As an additional allowance in lieu of public lands, there shall be paid by Canada to the province annually by half-yearly payments, in advance, for five years from the time this Act comes into force, to provide for the construction of necessary public buildings, the sum of ninety-three thousand seven hundred and fifty dollars."

Section 20 of the Saskatchewan Act is in identical terms.

The subsidy in lieu of lands, payable to Manitoba, was not provided for in the Manitoba Act of 1870, but was the subject of intermittent revision in the period 1870-1905. In 1912 legislation was enacted providing that in lieu of public lands and natural resources as a source of revenue, the province was to be paid on the basis of population, as ascertained by each census, the sum of \$562,500.00, subject to certain deductions for land alienated, this amount to be retroactive to 1908, and to be increased with increase in population. This settlement of 1912, in relation to Manitoba, placed the subsidy allowance in lieu of lands to that province on the same basis as the similar subsidies payable to Alberta and Saskatchewan, under the terms of the Alberta Act, 1905, and the Saskatchewan Act, 1905.

Following the Royal Commission on Maritime Claims in 1926, a Royal Commission was appointed in 1928 to deal with the transfer of the natural resources of Manitoba from the Dominion to that province. The appointment of this Commission was the culmination of negotiations over a period of years for the return of the natural resources to the Western provinces, in order to place them in a position of equality with the other provinces of Confederation with respect to the administration and control of their natural resources. This Royal Commission submitted its report to the Dominion Government on May 30, 1929. As a part of the settlement between the Dominion and Manitoba recommended by the Commission, it was proposed that with the return of the unalienated natural resources to Manitoba that province should continue to receive the subsidy in lieu of lands, as set out in the legislation of 1912, referred to above. This subsidy, it must be remembered, would be in addition to the subsidies payable to each province of the Dominion under the previous general revision of 1907. On the basis of the report of the Royal Commission on "The Transfer of The Natural Resources of Manitoba", an agreement was reached between the Dominion and the Province of Manitoba incorporating the financial terms of the recommendation of the Commission, and providing, therefore, for the continuance of subsidies formerly paid in lieu of lands. Negotiations were then concluded with the provinces of Alberta and Saskatchewan for the return of the unalienated natural resources to these provinces, and agreements were concluded, which in each case provided for the continued payment by the Dominion to these Provinces of the subsidies formerly paid in lieu of lands. Legislation, implementing these agreements, was enacted by the Dominion Parliament in 1930. From that date onward the provinces of Manitoba, Alberta and Saskatchewan have continued to receive subsidies formerly paid in lieu of lands, as well as the various subsidies authorized by the general revision of 1907.

Although the Maritime Provinces took no exception to the treatment accorded to the Western provinces in connection with the return of their natural resources, it is evident that the principle adopted in this settlement involved a new disturbance of the general subsidy revision of 1907. It must be noted that the recommendations of the Royal Commission on Maritime Claims were made without knowledge of the revision of the subsidies payable to the Western provinces to be made three years later. It would also appear that the re-assessment proposed by the Royal Commission on Maritime Claims had in view a consideration of the position of the Maritime Provinces alone, in their relation to the Dominion, and did not contemplate a revision of the entire scale of subsidies payable by the Dominion to the provinces under the settlement of 1907. Inasmuch as no report has yet been made of the investigation of the Audit Board in respect to the re-assessment of the subsidies payable to the Maritime Provinces, one can only surmise as to the principle, or principles, upon which that body proposed to proceed in its investigations. At the same time, in view of the treatment accorded to the Western provinces in 1930, it would appear that no re-assessment of the subsidies payable to the Maritime Provinces could now be made without due consideration being given to the settlement arrived at with the Western provinces in 1930.

THE ST. LAWRENCE WATERWAYS DEVELOPMENT IN RELATION TO FINANCIAL ARRANGEMENTS BETWEEN THE DOMINION AND THE PROVINCES

Attention has been directed to the fact that the Royal Commission on Maritime Claims was presented with a claim on behalf of the Maritime Provinces, arising from the fact that through extension of the boundaries of certain provinces, (Quebec, Ontario and Manitoba) public lands of the Dominion containing resources of great potential value have been conveyed to such provinces without compensation to those other provinces, which by reason of their geographical position or otherwise, were unable to participate in this distribution of public lands. Although the Royal Commission on Maritime Claims did not make a special finding in respect of this claim, it expressed the view that, "It must be looked at in the general financial revision of re-adjustment, which we suggest for the Maritime Provinces."

The position, in relation to these claims respecting public lands, has not altered in the past seven years. A situation has arisen, however, which bears a distinct analogy to the alienation of public lands by the Dominion to certain provinces without compensation to the remaining provinces of the Dominion. The Dominion Government had claimed a proprietary interest in all water-power created, or made available, by the erection of Dominion works for the improvement of navigation. In 1927 a specific issue arose as to the proprietary interest in water-power developed in connection with the St. Lawrence waterways project. At the Dominion-Provincial Conference held at Ottawa in November 1927, the Premiers of certain of the provinces questioned the right of the Dominion to waterpower created, or made available, by the erection of Dominion works for the improvement of navigation, and asserted a right on the part of the provinces to such water-power within the limits of the province. Subsequently, a request was made by the Premiers of Ontario and Quebec that the Dominion undertake to submit a case to the Supreme Court of Canada for hearing and consideration. In pursuance of this request, and under an Order in Council of January 18, 1928, certain questions were referred to the Supreme Court of Canada for hearing and consideration pursuant to Section 60 of the Supreme Court Act. The questions in the case submitted to the Supreme Court of Canada were so phrased as to make it difficult for that tribunal to give a definite opinion on the question of proprietary interest in water-power developed on navigable rivers. The opinion given by the Supreme Court of Canada on February 5, 1929, did not assist in establishing the position either of the Dominion or the provinces in regard to the question of proprietary rights. Subsequently, on July 11, 1932, the Dominion Government entered into an agreement with the province of Ontario, which had the effect of transferring to this province the proprietary interest in all water power to be developed in the canalization of the St. Lawrence under the St. Lawrence Waterways project. This agreement was made conditional on the ratification of the St. Lawrence Waterways Treaty between Canada and the United States. The failure of the United States to ratify the treaty nullified the agreement with Ontario, but there has been no repudiation on the part of the Dominion Government of the principle upon which that agreement was founded.

Whatever legal right the Dominion may have to alienate its resources to particular provinces, the fact remains that through the alienation of such power rights to Ontario and Quebec, the Dominion parts with an asset which conceivably would have produced revenue for the Dominion Treasury, and thereby reduced the tax burden of the people of Canada generally. If the proprietary rights in power developed on the St. Lawrence are really vested in the riparian provinces, a question that could only be determined by decision of the highest Court on this specific point, Nova Scotia would have no just claim to take exception to any agreement entered into between the Dominion and the Provinces on Ontario and Quebec. Lacking such a decision, however, it is submitted that the Dominion ought not to part with such an asset without consultation with the other provinces. If the proprietary right to water-power on the St. Lawrence is vested legally in the Dominion, as contended by Dominion counsel in the case submitted to the Supreme Court of Canada, it would appear that the alienation of such an asset to two of the provinces would supply a reasonable basis for a claim of compensation by the remaining provinces of the Dominion. To this extent the recent developments in connection with the St. Lawrence waterways are analagous to the policy of extending the boundaries of certain of the provinces by the alienation of public lands of the Dominion, a policy to which the Maritime Provinces took exception before the Royal Commission on Maritime Claims, and one which provided the basis of a claim for reconsideration of subsidy arrangements between the Dominion and the provinces. It is submitted on behalf of Nova Scotia that water-powers developed on the St. Lawrence as a result of canal construction instituted in part at the expense of the Dominion ought not to be transferred to Ontario and Quebec without a definite decision from the highest judicial tribunal, which would determine finally the proprietary interest in such water-powers. In the event of such a decision confirming the interest of the Dominion in such water-powers, it is submitted that the alienation of such water-powers to Ontario and Quebec is a fact which ought to be taken into consideration in any reassessment of the subsidies payable to the Maritime Provinces.

THE PROVINCIAL INCIDENCE OF THE TARIFF NOT CONSIDERED BY THE ROYAL COMMISSION ON MARITIME CLAIMS.

It is equally important to observe that no attention was given by the Royal Commission on Maritime Claims to the incidence of the tariff upon the Maritime Provinces and the Western Provinces in relation to the needs of these provinces for additional subsidies from the Dominion. It is significant, however, that in the claims presented on behalf of each group of provinces, it was contended that without additional financial assistance they would be unable to maintain governmental or social services on a scale equal to those maintained by the Central Provinces of Ontario and Quebec. In other words, one of the principles upon which the increased subsidies were sought by the Maritime Provinces and the Western Provinces was the principle of fiscal necessity in relation to the actual economic condition of these provinces within the fiscal frame-work of the Dominion. It was urged, for

example, that under the specific terms and judicial interpretation of the British North America Act, the provinces were compelled to assume the sole responsibility for the expanding burden of highways, education, and social services. It was contended that Ontario and Quebec, in view of their rapid industrial development, were able to meet these growing demands without any serious strain on their revenues. But the provinces which were lacking in diversified industrial development were less able to tap additional resources of revenue, and without financial assistance, it was contended that the Maritime Provinces and Western Provinces could not maintain standards of transportation and social services equal to those of Ontario and Quebec.

THE NEED FOR A THOROUGH RECONSIDERATION AND REVISION OF THE FINANCIAL ARRANGEMENTS OF THE BRITISH NORTH AMERICA ACT

In the original determination of the subsidies payable to the provinces by the Dominion, the basis for such subsidies was worked out in relation to:

- (1) The assumption by the Dominion of exclusive control over customs and excise.
- (2) The restricted power of taxation of the provinces; they being limited to direct taxation.
- (3) The limited powers assigned to the provinces by Section 92, of the British North America Act.

It was impossible then, and is now, to consider the question of subsidy revision as though it were a separate problem. The question of subsidies to the provinces is bound up inextricably with the delimitation of fields of taxation and the distribution of powers between the Dominion Parliament and the provincial legislatures.

THE ORIGINAL BASIS OF FINANCIAL ARRANGEMENTS

The financial negotiations at the Quebec Conference which laid a basis for the financial arrangements of the British North America Act, were conducted under the supervision of the Hon. Alexander T. Galt, Minister of Finance for the United Provinces of Upper and Lower Canada. In a speech delivered by Mr. Galt at Sherbrooke on November 23, 1864, we find a comprehensive statement of the considerations which lay behind the financial settlement set out in the Quebec Resolutions with particular reference to the basis on which the subsidies of the provinces were originally determined. A portion of this address which deals with the financial position of the provinces is given below, in order to emphasize the point that the

subsidies, payable to the provinces, had a distinct relation to the restricted fields of jurisdiction in which they were expected to operate, and the restricted sources of revenue which were to be retained by them under the proposed terms of the Federal Constitution.

LOCAL REVENUES AND EXPENDITURES

"Now it was necessary to provide by some means for maintaining certain local expenditures of the various Provinces, There were the public works to be kept in order, the educational institutions to be maintained, the systems of civil law to be administered, and there were a variety of other claims to be attended to, which would naturally suggest themselves at once to any one who reflected on the subject. For this purpose, it was found necessary to assign them certain local revenues, of which the territorial revenues formed the bulk. These local revenues amounted in 1863, in the Maritime Provinces, to the following sums:

Nova Scotia	\$107,000
New Brunswick	89,000
Prince Edward Island	32,000
Newfoundland	5,000
Total	\$233,000

These were the revenues that would not be transferred to the General Government but would be disposed of by the Local Governments for local purposes. In the case of Upper and Lower Canada together—and he preferred taking them together since it was for the Legislature and not for him to indicate what the several liabilities of Upper and Lower Canada respectively were—in the case of Upper and Lower Canada unitedly, these local revenues amounted to \$1,297,043. Now one objection to confederation was made on the ground of expense, and in order to meet this, every effort had been made to reduce the cost of the local Governments, so that the local machinery should be as little costly as possible, for it would not do to affront the intelligence of the people, and tell them we had devised an expensive kind of machinery to do a very insignificant amount of work. The gentlemen from the Lower Provinces had been asked what reductions they could make in the Government of the several colonies, and the figures he was about to give would be most satisfactory as showing the disposition of those gentlemen, who had reduced their requirements to the lowest sum. In her estimate of outlay for 1864 for objects of local character the Province of Nova Scotia had provided for an expenditure of no less than \$667,000, but had undertaken to perform the same service in future under a confederation of \$371,000, or a reduction of 40 per cent. The expenditure of New Brunswick in 1864 for the same objects was estimated at \$404,000. From causes explained at the time and shown to be satisfactory, she proposed to reduce the expenditure to \$353,000, and at the same time undertook within ten years to make a further reduction of \$63,000, making a total reduction to \$290,000. Prince Edward Island would reduce her expenditure from \$170,000 to \$124,000, and Newfoundland

from \$479,000 to \$350,000. In regard to Upper and Lower Canada he would not undertake to say what reductions would be made; but he could show that under the scheme proposed they would have the means of limiting the present outlay which was, taking the average of the last four years, \$2,021,979. Besides that there would be an additional item brought against them for the interest on the excess of their debt over that of the other Provinces, making their full local charge \$2,260,149, which was the present outlay of Canada for works which would not become a charge under a confederation. The outlay of all the provinces being however greater than their local revenues it became necessary to make provision out of the General Fund for the purpose of enabling their Local Legislatures to carry on the machinery of Government. It was proposed to take away from them every source of revenue they possessed except minor local revenues, and then to give them from the public chest a sufficient subsidy to enable the machinery to work. The estimate was formed on the wants of Nova Scotia. It was at first proposed to form it on the wants of New Brunswick, but these were found greater than those of the former, which had consequently been taken as the basis. The estimate was that 80 cents a head on the population of Nova Scotia would be sufficient to enable her to work her local system. She would want \$264,000. In the case of Upper Canada, 80 cents a head was considerably more than she wanted at the present day, and in the case of Lower Canada was at least adequate with the present local funds that would become available to her. But it was felt that in giving a subsidy from the public chest it was impossible to draw a distinction between one part of the country and another. But it was not intended to hold out any inducement to future extravagance to local Governments, but it was hoped that by the operation of natural causes such a check would be put upon expenditures as would bring them down to the lowest point, or at least prevent them from becoming lavish. Therefore the subsidy proposed to be given to local legislatures was fixed, not at an increasing rate according to population, but at the rate which existed at the census of 1861—By this means, as the population increased, the subsidy would not increase with it. Upper and Lower Canada would thus get within a fraction of two million dollars, and when their population increased to five millions instead of two and a half, would get no more. If they increased their expenses in proportion to the growth of population they would be obliged to resort to direct taxation; and he thought they might trust the people themselves to keep a sharp watch over the local Governments lest they should resort to direct taxation. He thought no surer check could be put upon them than thus fixing the grants they were respectively to receive. To put the position of the several provinces into one view, taking the basis of 1864, and assuming that as the basis of the Confederation, were it to take place today or on the first of January next, the several provinces united would possess a revenue of \$14,230,000; from which they would have to disburse \$1,530,043; and would also have to give a subsidy to the Provinces of \$3,056,849. Therefore, there would remain available for the purposes of the confederation \$9,643,108. The expenditure of all these provinces amounted, in 1864, to \$12,507,591, of which for local outlay there were no less than \$3,954,212 which would be assumed in consideration of receiving the subsidy and local revenues. Thus the expenditure would be reduced as charged upon the general revenue to \$8,553,379, or \$1,100,000 less than the amount that would in 1864 be available for

the purposes of Confederation. He thought this statement was one which would be received as satisfactory in regard to the proposed co-partnership they were about to enter into. In the present state of affairs we found that by uniting all our means, and taking out all wanted for local purposes, there would be left for the General Government upwards of a million and a quarter dollars, over and above our present expenditure. Considering this they might hope that in bringing the General Administration of the country under one Government, there would be a certain amount of economy effected, and an additional efficiency imparted to the Government. It might be true they would be obliged to incur some expenditure in keeping up Local Legislatures, and he was not prepared to deny that; but at the same time they might reasonably hope that when there was taken from them a large share of the subjects previously legislated upon, and putting under one head what was now done under five or six different heads, an economy would be affected; but without making any allowance for what would be achieved in this way they would have means to meet all the demands for 1864 and have a respectable surplus over."

THE TARIFF IN RELATION TO THE FINANCIAL ARRANGEMENTS BETWEEN THE DOMINION AND THE PROVINCES

It is of interest to note that after dealing with the financial position of the several provinces, Mr. Galt in the address referred to above, passes at once to a consideration of the tariff question, in its relation to taxation under the federal constitution. The following paragraph of his speech makes it abundantly clear that the tariff in contemplation during these negotiations was a tariff for revenue, and that it was not anticipated that the revenue requirements of the federation would call for an average ad valorem tariff of more than 20 per cent.

THE TARIFF QUESTION

"That brought him to a very important point, as to whether confederation would produce increased taxation, of which apprehensions were entertained. In the first place the existing taxation in all the provinces would have provided more than one million dollars over and above the public demand; but at the same time it was quite true that in a confederation they would have to incur certain liabilities such as for the Intercolonial Railway and for the completion of works now in progress in the Lower Provinces. It must be plain that as the revenue raised by the Colonies under present tariffs was more than sufficient, if we were to raise the tariffs of all the Provinces to that of Canada we should have much more revenue than we

required. In the case of the Lower Provinces the average tariff was about $12\frac{1}{2}$ per cent and where they now collected duties to about $2\frac{1}{2}$ million dollars, under a higher tariff like that of Canada at least three million dollars would be raised. Therefore, to make adequate provisions for all the wants of the country, they need not bring up their tariffs, but we might reduce ours; and in the raising of duties it would be practicable to find a medium of taxation between the averages of 10 and 20 per cent which would be sufficient to meet the wants of the country."

THE INTER-RELATION OF SUBSIDIES, TAXATION, AND DISTRIBUTION OF POWERS UNDER THE BRITISH NORTH AMERICA ACT

These views expressed by the architect, as it were, of the financial frame-work of the federal system, are sufficient to indicate that the payment of subsidies to the provinces rested upon the assumption that the financial obligations, both of the Dominion and the provinces, were not likely to expand with great rapidity, and that expansion when it did take place, would come as a result of increasing population, rather than by the assumption of new governmental functions by the Dominion and the provinces. It is important to recall that when the Dominion was formed in 1867, the accepted political theory of the period tended to narrow down the functions of Government to police protection, administration of justice, public works and defence against external aggression. The financial settlement of the British North America Act in 1867 was largely based upon this *laissez-faire* conception of government. Moreover, since the most expensive items in the pre-federation budgets of the provinces were placed under the control of the Dominion by the terms of union, it was anticipated that the remaining provincial establishments could be supported without difficulty by annual subsidies received from the Dominion and by the territorial revenues at the disposal of the provinces. The meagreness of Government services provided in the early years of federation, is illustrated by the fact that the entire expenditure chargeable to consolidated fund in the Dominion, for the fiscal year 1869 was but \$14,000,000, out of which subsidies paid to the provinces amounted to \$2,600,000. It appears also from the discussions of that period that it was not contemplated that the cost of provincial government would grow to any great extent. For such expansion of services as was found necessary, it was anticipated that the natural increase in territorial revenues of the provinces would provide what was needed to make up the deficiency with an ultimate recourse to direct taxation. It must be emphasized again that under the terms of the British North America Act, 1867, the provinces were only permitted to impose direct taxation. As contrasted with this important restriction upon the provincial powers of taxation, the Dominion parliament was authorized to raise money by any mode or system of taxation. Thus the provinces were expected to depend upon territorial revenues and direct taxes for the maintenance of expanding governmental services, while the Dominion possessed not only exclusive control over customs and excise duties, but might also share with the provinces the less attractive field of direct taxation.

If those who designed the original financial settlement between the Dominion and the provinces in 1867, had been able to envisage the rapid expansion, during the next half century, of services placed by the constitution under provincial juris-

diction, and more particularly the growing burden of highway construction, resulting from motor traffic, together with expanding commitments for education and social services, it is certain that the financial arrangements would have been far more generous to the provinces, or in the alternative, would have provided for a greater elasticity of provincial revenues to meet these expanding obligations of government. With these considerations in mind, it is not too much to say that the financial arrangements between the Dominion and the provinces in 1867 assumed the continuance of a situation, which in fact, ceased to exist within a few decades after the passing of the British North America Act. Indeed on the principle of *rebus sic stantibus* the entire financial arrangements of 1867 can be attacked as having no longer any real validity in relation to an existing economic and political situation. The various revisions of the provincial subsidies, from time to time since 1867, suggest a tacit recognition of this fact. These revisions however, have been haphazard and on the whole have been dictated more by political expediency than by any desire to reconstruct a financial arrangement which time has proved to be unstable, inequitable and improvident from the standpoint of the provinces. Not until 1907 was there any attempt to bring about a general revision of subsidies which would replace, so to speak, the weather-beaten foundations of the 1867 settlement. Even in the revision of that year, however, there seems to have been no clear recognition of the relationship between subsidies, taxation, and the expanding area of the provincial governmental services, nor was there any appreciation of the relation of tariff incidence to the taxable capacity of the various provinces.

INCREASING PROVINCIAL EXPENDITURES

Almost thirty years have passed since the general revision of subsidies in 1907. In this period of time the history of the earlier period, 1867-1907, has been repeated. Singly, and by groups the provinces have sought aid from the Dominion Treasury to relieve their financial difficulties. Sometimes these demands have been rejected, but more often they have been met by special grants of money. The result has been an increasing instability of financial relations between the Dominion and the provinces. It must be realized also that since 1907, provincial expenditures have expanded even more rapidly than in the preceding years. Although governmental expenditures in the provinces tended to expand soon after 1867, the total expenditures on ordinary account in the several provinces remained fairly constant until 1890. They increased quite rapidly in the succeeding decade and took a sharp jump upward at the turn of the present century. Still another period of rapid expansion was ushered in at the end of the great war. From 1911 to 1921 the expenditures of some of the provinces were more than doubled, and increases almost as startling are to be found in the succeeding decade. In each period of rapid increase of expenditures, the provinces were assuming new responsibilities, which were far removed from the modest anticipations of those who framed the financial settlement of 1867. Education, Highway Construction, Public Health, Agricultural Services, Technical Education, Mothers' Allowances, and Old Age Pensions were some of the functions which were rapidly extended during these periods of rising expenditures. The following table indicates the increasing expenditures of the provinces from 1900-1930:

Ordinary Expenditures of Provinces. 1900-1930
(in thousands of dollars)

Province	1900	1910	1920	1930
Prince Edward Island.....	308	383	661	1,133
Nova Scotia.....	937	1,726	3,917	7,901
New Brunswick.....	794	1,318	2,969	7,357
Quebec.....	4,433	5,628	13,521	39,375
Ontario.....	4,004	8,888	25,881	57,989
Manitoba.....	1,085	3,235	10,603	13,803
Saskatchewan.....	.....	2,221	8,708	17,080
Alberta.....	.....	4,002	10,423	15,403
British Columbia.....	1,831	6,383	11,568	25,067

The tables which follow indicate the ordinary receipts and expenditures of Provincial Governments per head of population for their respective fiscal years ended in the census years 1871-1911, and in each year from 1916 to 1931.

(A) ORDINARY RECEIPTS

Fiscal Year	Prince Edward Island	Nova Scotia	New Brunswick	Quebec	Ontario	Manitoba	Saskatchewan	Alberta	British Columbia	Average for all Provinces
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1871.....	4.10	1.36	1.58	1.37	1.44	.....	.....	.....	5.31	1.50
1881.....	2.53	1.10	1.90	2.35	1.45	1.97	.....	.....	8.10	1.82
1891.....	2.51	1.49	1.91	2.32	1.96	3.86	.....	.....	9.79	2.21
1901.....	3.00	2.37	3.12	2.77	2.05	3.96	.....	.....	8.97	2.62
1911.....	3.99	3.30	3.83	3.51	3.71	9.66	5.49	8.85	26.70	5.65
1916.....	5.53	4.29	4.29	4.48	5.10	10.65	7.41	10.65	13.80	6.25
1917.....	5.51	4.21	4.27	4.81	6.71	11.28	8.51	12.32	14.88	7.19
1918.....	5.78	4.65	6.39	6.30	7.02	11.90	11.50	14.67	18.74	8.51
1919.....	5.64	6.47	5.85	5.67	7.42	14.93	11.91	17.82	22.40	9.25
1920.....	8.33	7.37	8.14	6.30	9.07	16.62	13.59	19.33	27.34	10.83
1921.....	8.65	8.75	7.46	6.74	10.37	15.34	15.57	18.85	28.99	11.61
1922.....	8.41	9.18	8.29	9.00	13.33	12.89	15.35	15.75	31.40	13.02
1923.....	6.37	10.27	8.95	8.84	11.56	16.28	16.17	17.57	33.80	13.07
1924.....	8.59	10.58	9.53	9.29	13.64	17.48	15.83	17.60	33.49	13.99
1925.....	8.61	8.67	9.05	9.82	15.43	12.45	15.36	19.15	32.01	14.25
1926.....	9.57	11.15	10.62	10.45	16.45	16.56	16.22	19.59	34.01	15.50
1927.....	9.62	12.65	12.81	11.64	17.49	17.81	15.52	19.37	32.52	16.28
1928.....	11.76	13.46	13.19	12.82	17.82	16.51	15.74	24.54	32.67	17.09
1929.....	12.31	14.35	14.83	14.42	19.36	17.95	18.23	22.32	32.01	18.31
1930.....	13.05	14.95	16.22	14.43	16.94	20.21	18.34	22.36	37.72	18.43
1931.....	13.06	15.80	14.66	14.48	15.85	19.77	15.56	21.46	34.56	17.27

(B) ORDINARY EXPENDITURES

Fiscal Year	Prince Edward Island	Nova Scotia	New Brunswick	Quebec	Ontario	Manitoba	Saskatchewan	Alberta	British Columbia	Average for all Provinces
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1871.....	4.32	1.55	1.53	1.32	1.12	.....	.....	.....	2.69	1.34
1881.....	2.40	1.12	1.87	4.47	1.35	3.66	.....	.....	7.71	1.89
1891.....	2.79	1.54	2.12	2.75	1.97	4.34	.....	.....	10.53	2.41
1901.....	3.06	2.37	2.75	2.74	1.85	3.88	.....	.....	12.78	2.63
1911.....	4.24	3.64	3.99	3.20	3.92	8.68	5.23	9.19	20.85	5.29
1916.....	4.93	4.26	4.26	4.38	4.68	11.10	8.12	12.13	22.11	6.73
1917.....	5.41	4.66	5.89	4.57	6.06	12.29	8.39	13.29	20.54	7.46
1918.....	5.44	5.13	6.50	5.33	6.36	12.93	10.07	15.91	19.04	8.11
1919.....	7.36	6.47	6.96	5.54	7.70	14.73	11.61	17.61	20.26	9.19
1920.....	7.42	7.59	7.79	5.88	9.04	17.85	11.94	18.45	22.82	10.31
1921.....	7.80	8.93	8.85	6.19	9.74	16.50	16.05	22.29	29.02	11.67
1922.....	7.72	9.18	7.68	6.88	12.57	13.61	17.32	18.98	32.23	12.66
1923.....	9.08	10.09	9.38	8.15	16.36	17.15	16.56	18.53	34.73	14.72
1924.....	8.32	10.81	9.81	8.64	15.97	16.73	15.74	18.72	35.93	14.78
1925.....	8.67	11.59	10.46	9.27	16.54	10.80	15.51	18.69	34.29	14.70
1926.....	8.69	12.29	10.30	10.14	16.20	16.32	16.09	19.56	32.72	15.26
1927.....	10.00	12.75	11.65	10.94	17.32	16.05	15.41	19.71	31.15	15.80
1928.....	10.72	14.65	13.45	12.09	17.75	16.72	15.60	24.12	31.54	16.83
1929.....	11.74	14.15	16.14	13.00	18.57	18.23	18.09	20.01	34.64	17.70
1930.....	12.88	15.37	17.78	13.94	17.13	19.79	18.91	21.75	37.08	18.10
1931.....	16.51	15.97	16.57	14.22	15.98	20.70	19.74	24.61	40.25	18.38

THE TREND OF RISING EXPENDITURES IN NOVA SCOTIA

Owing to the lack of uniform accounting methods prevailing in the various provinces, it is not possible to present a detailed comparative analysis of increasing expenditures of Provincial Governments over a period of years. The study of expenditures in Nova Scotia, however, will reveal tendencies which are apparent in varying degrees in all the provinces of the Dominion. It has been pointed out previously that when the financial arrangements between the Dominion and the provinces were concluded at Confederation, the prevailing theory of the functions of government led to an assumption that the expenditures of the provinces were not likely to expand, except in response to growth of population. It has been suggested, also, that the enormous increase in provincial expenditures which has taken place in recent years, has been due, not so much to an expansion of the provincial services in contemplation when the original financial settlement was arrang-

ed in 1867, but rather to the enlarging responsibilities of the provinces in relation to public works and social services which were not regarded in 1867 as being within the scope of governmental obligation. An examination of the expenditures in Nova Scotia from 1916-1931, a period of fifteen years, reveals that the sharpest increase in ordinary expenditures has occurred in this more recent category of governmental services. We may say, broadly speaking, that the original financial arrangements contemplated that the expenditures of provincial governments would be confined in the main to the following items:

Civil Government
 Legislation
 Agriculture
 Public Buildings
 Public works and enterprises
 Administration of justice
 Education
 Hospitals and charities
 Interest payments and sinking funds

It is significant that the more important increases in expenditures in recent years have either fallen outside these special services, or have been the result of an abnormal expansion of such services as highways, education, hospitals, correctional institutions, charities, etc., resulting from changes in the accepted theories of governmental functions which have taken place in the intervening period. The following table gives a summary statement of the more important ordinary expenditures of Nova Scotia from 1916 to 1921:

	1916	1917	1918	1919	1920	1921
Civil Government.....	\$123,525	\$125,796	\$142,019	\$168,773	\$215,455	\$262,195
Legislation.....	102,971	97,082	88,618	104,900	142,865	155,155
Agriculture.....	35,798	36,960	42,641	58,461	46,116	72,733
Administration of Justice....	25,660	25,670	28,333	32,410	36,095	58,243
Conservation of Health and Sanitation.....					3,618	3,058
Public Bldgs., works.....	356,499	403,665	460,772	871,717	1,134,696	1,123,933
Education.....	508,957	527,272	522,941	531,104	610,870	776,044
Hospitals.....	315,074	352,288	501,962	668,257	751,215	847,568
Correctional Institutions....						
Charities.....	15,175	16,477	17,755	21,434	29,601	30,813
Pensions, Gratuities & Reliefs	9,284	9,076	7,974	8,350	9,578	10,659
Interest Payments.....	505,642	540,193	560,987	599,211	616,643	861,564

The following table compares the principal ordinary expenditures of Nova Scotia in 1921 and 1931, showing increases and decreases under particular items:

	1921	1931	Decrease	Increase
Civil Government.....	\$262,195	\$268,481		\$6,286
Legislation.....	155,155	102,050	53,105	
Agriculture.....	72,733	249,459		176,726
Administration of Justice.....	58,243	43,072	12,171	
Health & Sanitation.....	3,058	63,395		63,337
Public Bldgs. & Works.....	1,123,933	2,131,479		1,007,546
Education.....	776,044	1,158,350		382,306
Hospital.....	847,568	908,042		60,474
Correctional Institutions.....		22,643		22,643
Charities.....	30,813	124,554		93,741
Mothers' Allowances.....		333,471		333,471
Interest Payments.....	861,564	2,083,937		1,222,373
			65,276	3,368,903

Note: (1) Including Civil Government.

It will be seen from these comparisons that in the last decade there has been no substantial increase in the expenditures for civil government, legislation, and administration of justice. There has been, however, a startling increase or expansion in relation to highways, as included in public works and enterprises, in education, agriculture, hospitals, correctional institutions, charities, pensions, and interest payments. In other words, the increasing expenditures in Nova Scotia have been due, in the main, to the addition of new services not in contemplation at Confederation, or to an extraordinary enlargement of services which were definitely committed to the provinces under the British North America Act, but which were regarded by the accepted political theory of that day as being unlikely of rapid expansion. It must also be noted that since 1931 the Nova Scotia Government has assumed the responsibility for the cost of administration of Old Age Pensions, as well as 25 per cent of such pensions as are actually paid within the province.

If a scheme of Unemployment Insurance should be instituted upon a contributory basis in which the provinces will participate, a still further substantial increase in provincial expenditures will follow as a consequence. It must be noted as well, that in the ten years, 1921-1931, the interest payments have more than doubled. The capital expenditures served by this interest payment have been largely incurred for waterpower development and for highways of a standard suitable for motor traffic, a form of expenditure which was certainly not contemplated at the time of the original financial settlement in 1867. In view of these considerations it is unnecessary to labor the point further—that recent increases, both in the debt and in the ordinary expenditures of Nova Scotia have been due to an enlargement of provincial obligations which were beyond the contemplation of those who designed the British North America Act.

EVIDENCE OF ECONOMY OF PROVINCIAL ADMINISTRATION IN NOVA SCOTIA

So far as ordinary governmental expenditures are concerned, the Report of the Royal Commission on Maritime Claims in 1926, may be quoted:

“We have gone over the Provincial accounts of the three Provinces in detail. The scope of administration—take Public Works as an example—has certainly increased, and it is not easy to draw a hard and fast line as to where government machinery ends. But many departments of their activity are being run at a surprisingly low cost, and we feel satisfied that they certainly are not, on the whole, carrying unreasonable expenditures, nor do we feel that in view of the burden they are carrying they can be expected to meet, from their own revenues, the increased cost of their machinery of government.” (p. 15).

The following table gives the per capita expenditures of the various provinces of the Dominion for 1931. It will be noted that the per capita expenditures of Nova Scotia are well below the average for all the provinces. Quebec was the only province of the Dominion with lower per capita expenditures than Nova Scotia.

Province	Per Capita Expenditure.
Prince Edward Island	\$16.51
Nova Scotia	15.98
New Brunswick	16.56
Quebec	14.21
Ontario	15.98
Manitoba	20.70
Saskatchewan	19.75
Alberta	24.63
British Columbia	40.23

PROVINCIAL POWERS OF TAXATION

The Dominion Parliament was given authority by the British North America Act, 1867, to the “Raising of money by any mode or system of taxation.” Each provincial legislature is given authority to impose “Direct taxation within the province in order to the raising of a revenue for provincial purposes.” Each provincial legislature is also permitted to raise revenue by “Shop, saloon, tavern, auctioneer and other licenses.” The taxing powers of the Dominion Parliament for Dominion purposes are therefore unlimited, while these of the provincial legislature are limited to,

(a) Direct taxation within the province for the raising of a revenue for provincial purposes;

(b) Taxation by way of licenses.

In earlier years the subsidies received by the provinces from the Dominion, together with revenue arising out of their natural resources and from fees for specific services almost sufficed to cover the whole expenses of government and rendered a resort to taxation for provincial purposes practically unnecessary in most of the provinces. With the progressive enlargement of provincial obligations in relation to highways and social services, it became necessary for the provinces to resort to various methods of direct taxation in order to establish and maintain these expanding services. Under ordinary circumstances the provision of new governmental services related to social welfare might have been met by the provinces from the proceeds of income taxes. In most countries where rapid expansion has occurred in social services resort has been had to this type of taxation. The provinces, however, though possessing the constitutional power to impose income taxes, have been handicapped in doing so, because of the action of the Dominion Parliament in appropriating this field of taxation in 1917 as a means of raising revenue for war purposes. The legal authority of the Dominion Parliament to impose income taxes cannot be questioned. The fact remains, nevertheless, that the appropriation of this field of taxation by the Dominion has increased the difficulties of the provinces in raising sufficient revenue to meet the expanding cost of services which lay within their constitutional jurisdiction.

It was recognized indeed, by the Dominion Government that its appropriation of the income tax field would embarrass the provinces in their search for new sources of revenue through direct taxation. In introducing the income tax measure in the House of Commons, Sir Thomas White, Minister of Finance, made this significant statement:

"The Dominion Government, under the provisions of the British North America Act, is empowered to raise revenue by any mode or form of taxation, whether direct or indirect. On the contrary, the provinces, and by consequence the municipalities which derive their taxation powers from the province, are confined, in the raising of their revenues, to measures of direct taxation. For this reason, since the outbreak of the war, I have hesitated to bring down a measure of federal income taxation. As I have stated, the provinces and the municipalities are confined to direct taxation, and I have not regarded it as expedient, except in case of manifest public necessity, such as I believe exists at the present time, that the Dominion should invade the field to which the provinces are solely confined for the raising of their revenue."

That the provinces also regarded the Dominion income tax as a distinct handicap is indicated by the following extract from a submission made to the Dominion Provincial Conference of 1918:

"The provincial representatives recognize that at such a time as the present it would not be wise to press the Dominion Government for immediate action on the several claims and expectations herein referred to. Without waiving any rights they have for the consideration of such matters at a more opportune moment, the provincial representatives respectfully suggest that since the income tax has been adopted by the Dominion Government as a war measure, it would be reasonable, in view of all the circumstances, that the Dominion should not leave to the provinces the duty of imposing new taxes of a similar character, but that the Dominion tax be treated as one for both Dominion and provincial purposes, and that a proportion of the proceeds of the tax, say 50%, should be assigned by the Dominion to the provinces on a per capita basis to assist the provinces in meeting the pressing obligations of the time; this arrangement to continue during the war and for at least one year after the declaration of peace and that then the whole question of readjustment of the provincial allowances be taken up for consideration."

Further representations on this subject have been made on behalf of the provinces at the Provincial Treasurer's Conference held at Ottawa in November 1924, and at the Dominion Provincial Conference of November, 1927.

The Dominion, having appropriated the income tax field, the provinces have collected additional revenue chiefly from such forms of taxation as taxes on corporations, lands, succession duties, motor vehicle licenses, gasoline taxes, amusement taxes. More recently, with the decline of prohibition, all of the provinces with the exception of Prince Edward Island, have derived additional revenue from various forms of liquor traffic control, under provincial commissions.

INDIRECT SUBSIDIES OR SUBVENTIONS

PAYABLE BY THE DOMINION TO THE PROVINCES

In view of the foregoing considerations, the provinces were compelled to look to the Dominion for additional financial assistance in order to enable them to meet the growing demand for highways, technical education, and social services. Unfortunately, the assistance given by the Dominion assumed a form which tended ultimately to aggravate the financial difficulties of some of the provinces. The new method adopted by the Dominion to aid the provinces was the provision of indirect or conditional subsidies. In order to encourage highway construction, agricultural and technical education, public health services, labour employment services and old age pensions, the Dominion offered special money grants contingent upon the provinces providing equal or commensurate amounts for the same purposes. The development of this policy may be indicated briefly. In 1912 the Dominion Parliament enacted legislation to encourage and assist the provinces in the construction of certain highways, the Dominion supplying forty per cent of the cost

and the provinces the remainder. In 1913 the Agricultural Instruction Act was passed, by which the Dominion was to distribute \$1,000,000 annually among the provinces for a ten-year period in proportion to population, but not so as to exceed the sums expended by the provinces for the same purpose. In 1919 the Dominion Parliament made provision for the promotion of technical education by which it rendered assistance to the provinces on a similar co-operative basis. This Act provided for a fund of \$10,000,000 to be distributed among the provinces over a ten-year period. In the same year the Dominion authorized the expenditure of \$20,000,000 for the construction and improvement of highways during the succeeding five years, and less important contributions for public health services and unemployment relief. In 1927 an Old Age Pensions Act was passed under which needy persons over seventy years of age could receive a maximum of \$120.00 from the Dominion Treasury, provided the provinces passed concurrent legislation and would pay a similar amount. An Amendment passed at the 1931 session of Parliament provided that the Dominion contribution to the provinces be increased from 50% to 75% of the provincial disbursements for Old Age Pensions, pursuant to a provincial statute authorizing and providing for the payment of such pensions to the persons, and under conditions specified in the Act and the regulations made thereunder. More recently there have been insistent demands from the provinces for renewed assistance from the Dominion for the construction of highways and for technical education. Provision for the latter has already been made by Parliament, although the operation of the Act has been postponed pending a return of normal conditions.

OBJECTIONS TO INDIRECT SUBSIDIES

The objections to this form of federal assistance have been revealed by experience. When the grants were for a fixed term of years, which was the principle adopted in the Highways Act, the Agricultural Instruction Act, and the Technical Education Act, the provinces found themselves at the end of the period with an expensive establishment which they were obliged to maintain thereafter out of their own revenues. For example, the Agricultural Instruction Act of 1913 encouraged some of the provinces to establish expensive agricultural schools. When the special subventions came to an end in 1923 these provinces were faced with the necessity of maintaining the institutions already established. A similar situation was created by the Technical Education Act and by the special provisions for highways construction. Behind all of these measures for conditional subsidies there appears to have been a definite policy of establishing common standards throughout all of the provinces. Certainly, almost irresistible inducements were offered by the Dominion Government to the various provinces to accept the contingent subsidies on the terms proposed. Behind these measures there was also the evident assumption that the provinces were equally capable of assuming their respective shares of the expenditures on these services which were required in order to take advantage of the Federal subsidies. The differences in the taxable capacity of the various provinces were not given any serious consideration.

With the exception of the provision for Technical Education, all of these measures for indirect subsidies, payable by the Dominion to the provinces for a fixed term, have expired and have not been renewed. The provision in respect of Technical Education has been renewed but its operation has been suspended, pending the return of more normal conditions.

INDIRECT SUBSIDIES PROVIDE NO SOLUTION OF THE BASIC FINANCIAL PROBLEM

The expedient of indirect subsidies, or conditional grants, for the support of services within the provincial jurisdiction has revealed the inherent weakness of the original financial arrangements between the Dominion and the provinces. The resort to such a policy was in itself an admission on the part of the Dominion Government that the provinces were unable, from their own revenues to support common standards of highways and social services throughout the Dominion. No doubt it was also regarded as a partial compensation to the provinces for the appropriation by the Dominion of the elastic source of revenue provided by the income tax, which had been appropriated by the Dominion for the purpose of meeting its war obligations.

DIFFERENCES IN TAXABLE CAPACITY OF THE PROVINCES

It has been noted above that one of the basic causes of the weakness in the financial arrangements between the Dominion and the provinces was the failure to recognize differences in taxable capacity among the various provinces of the Dominion. These differences in taxable capacity existed, no doubt, in some measure at the time of Confederation, but they have been greatly accentuated as a result of fiscal policies in operation since the adoption of the National Policy in 1879. Largely as a result of these policies the industrial life of the Dominion has been concentrated more and more in the central provinces of Ontario and Quebec. This process did not merely result in increasing the income and taxable capacity of these provinces; it has been accompanied in considerable measure by a corresponding decline in the income and taxable capacity of the Maritime Provinces. Admittedly it is difficult to calculate in exact terms the effect of the tariff on the taxable capacity of the various provinces of the Dominion. But the calculation already submitted as to the provincial incidence of tariff subsidies and tariff costs makes it abundantly clear that in considering the taxable capacity of the various provinces, regard must be had to the effect of the fiscal policy of the Dominion upon the industrial and commercial life of the various provinces of which it is comprised.

THE TARIFF INCIDENCE AND TAXABLE CAPACITY OF THE PROVINCES

In a previous section of this submission the effects of the Canadian tariff have been considered in their incidence upon the several provinces of the Dominion. It was noted that the unequal incidence of the tariff upon the various provinces was reflected in the financial position of their governments, and that the most immediate effect of the unequal incidence of the tariff was an inequality in the taxable capacity of the various provinces. It was acknowledged in the earlier discussions of the question, that the economic effects of the unequal incidence of the tariff could not be removed by a readjustment of the financial relations between the Dominion and the provinces in the form of increased subsidies to such provinces as bore an unequal burden of the costs of the tariff. At the same time, it is necessary to consider at this stage the unequal incidence of the tariff in relation to the capacity of the various provinces of the Dominion to discharge their constitutional responsibilities under the terms of the British North America Act.

Reference has been made previously to the special Economic Inquiry into the Australian Tariff in 1929. In an appendix to this study the Committee makes a number of interesting observations on the effect of the tariff on state finances. The following observations are so pertinent to the situation which exists in Canada that they deserve to be quoted at some length:

- (1) "The unequal effects between states are probably the most embarrassing consequences of the tariff, but they have their roots in the unequal effects between industries, which are natural and inevitable consequences of tariff protection. Were Australia one small, compact economic unit, in which the benefits of protection were thoroughly diffused, in which one common tax system operated, and in which development expenditure was equally shared, differences between areas would be less important. But with our diverse geographical conditions and our Federal System of Government this is not the case.
- (2) "The distribution of Australian industries has been substantially modified by the tariff. Assistance to protected industries has been provided chiefly at the expense of the export industries. We have shown that these industries are retarded and that their land values have been curtailed. The costs imposed upon them have been borne chiefly in the country districts and in the outlying states, which are more naturally adapted for the export industries.
- (3) "The geographical differences between the states account for differences in aptitude, and the benefits of increased production have been transferred from areas and states having natural aptitudes for export industries to areas and states having natural aptitudes for the protected industries. The tariff has, therefore, materially affected the relative prosperity of the different states.

- (4) "The established producers in these areas and states have undoubtedly been penalized by the tariff. From the point of view of the states themselves the consequences are not less important. Not only have the incomes of the established producers been curtailed, and therefore the taxation derived from land and incomes generally, but some production has been prevented, and the state revenue which would have been received from that production has been lost. This applies not only to tax revenue, but to revenue from various state services, and especially from railways. The cost of the tariff has prevented the full use of development utilities and the full response to state efforts to stimulate production.
- (5) "The effect on state revenue from these combined causes is obvious, though not easily measurable. Still more difficult to measure with our inadequate data is the probably more important effect of the loss of export production which would have taken place without the excess costs of the tariff. This will depend amongst other things, on the varying degrees to which the natural resources in each state would respond to a given decrease in production costs, a matter on which we have noted our ignorance. We will only say that the discriminating effect on the revenue of different states appears to be substantial.
- (6) "It is natural that the harmful effects of the tariff should express themselves most acutely as difficulties of state finance. The effects are not felt directly by landowners, nor in the check to production. Land generally, does not decline in value, nor does it go out of production. It merely fails to respond adequately to development expenditure and in so far as state assistance succeeds in cancelling the tariff costs borne by the farmers, it does so at state expense. The states which enjoy more than their proportional share of the benefits of protected industries may be able to afford this result. Their taxable capacity is increased through the protected industries established in their territories. But opposite results are experienced in the other states. Their taxable capacity is lowered, so that their rates of taxation have to be increased; industry is further encouraged to concentrate in the more fortunate states, and the cumulative effects which follow intensify the inequalities created by the tariff itself."

No apology need be offered for this long excerpt from the Report of the Australian Committee on the tariff. It is a clear and succinct presentation of the effects of the tariff upon the financial position of the component members of a federation and with the exception of a few sentences having a purely local application, it describes with surprising accuracy the effects of the tariff upon the financial position of the various provinces of the Canadian federation.

In Canada, as in Australia, the differences in taxable capacity of the provinces of the federation are difficult to measure in exact terms. There are however, certain indices which assist greatly in obtaining an approximate measurement of these

differences. It can be demonstrated that the cumulative burden of the unequal incidence of the tariff subsidies and tariff costs over a long period of years, has had a marked influence on the taxable capacity of various provinces of the Dominion. It is our contention indeed, that the excess costs of the tariff have imposed such a drain upon the annual income of some of the provinces, as to handicap them seriously in attempting to meet the costs of higher standards of motor highways, and the insistent demand for expanding social services. The unequal incidence of the tariff on the provinces of the Dominion may be illustrated by repeating for the present purpose, the table of tariff subsidies and tariff costs presented at an earlier stage of this submission:

**Provincial Distribution of Gains and Losses under Protective Tariff
on Per Capita Basis**

Province	Tariff Subsidy per capita	Tariff Cost per capita	Net Gain per capita	Net Loss per capita
P. E. Island.....	5.32	23.20	.....	17.88
Nova Scotia.....	18.50	30.78	.....	12.28
New Brunswick.....	19.91	31.58	.....	11.67
Quebec.....	46.23	35.20	11.03	.....
Ontario.....	64.32	49.17	15.15	.....
Manitoba.....	28.44	41.69	.....	13.25
Saskatchewan.....	3.55	31.71	.....	28.16
Alberta.....	11.22	38.15	.....	26.93
British Columbia.....	32.03	54.36	.....	22.33

The costs of the tariff may be said to operate in two ways on the income of the province. In a very direct way they lower the purchasing power of the annual income derived from production. Their adverse effect upon savings is equally self-evident. Indirectly the tariff operates as a handicap on the important export industries of the province, and thereby curtails that portion of its income which is derivable from the production of such industries. Thus the net effect of the tariff on Nova Scotia is not only to contract potential income but to impose as well an annual levy upon the existing income of the province.

It is true that the effect of the excess costs on production of export industries is obscure. It is impossible to say to what extent the income of export industries would have been increased if such industries had been relieved of that portion of their cost of production which is attributable to the tariff. It would seem reasonable to assume, however, that a relief from duties on instruments of production would have enabled the export industries of Nova Scotia to obtain a much more favorable position in foreign competitive markets, and as a consequence would have encouraged a considerable increase in production, which in turn, would have made its added contribution to the annual income of the province. It is not improbable

indeed, that in the long run the indirect effect of excess tariff costs in curtailing income derived from export industries is more significant than the direct effect of such costs in reducing the purchasing power of the annual income derived from all forms of production.

The most reliable index of taxable income at present available, is that of net production. The following table gives the per capita net production of Nova Scotia and other provinces of Canada for the census year of 1931.

1931

Province	Population	Net Value of Production	Per Capita Net Production
P. E. Island.....	88,038	11,924,262	135.44
Nova Scotia.....	512,846	94,507,795	184.28
New Brunswick.....	408,219	64,307,571	157.53
Quebec.....	2,874,255	686,817,209	238.95
Ontario.....	3,431,683	1,083,600,274	315.76
Manitoba.....	700,139	113,396,393	161.96
Saskatchewan.....	921,785	82,691,410	89.71 (1)
Alberta.....	731,605	164,947,717	225.46
British Columbia.....	694,263	193,751,045	279.07
Yukon.....	4,230	4,260,226	1,007.14

(1) The net production in the western provinces was abnormally low in 1931 because of crop failures and the low price of wheat.

Another useful index of taxable capacity is that of average money wages. The following table gives a statistical comparison of average money wages per capita in Nova Scotia and other provinces for the year 1931:

All Ages	Average Yearly Earnings		Average Number of Weeks of Employment (*)	
	Males	Females	Males	Females
Canada.....	927	560	41.12	46.59
Nova Scotia.....	763	430	40.35	47.80
New Brunswick.....	754	436	40.96	47.18
P. E. Island.....	677	361	46.84	49.18
Quebec.....	926	480	41.87	46.75
Ontario.....	1,006	638	41.69	46.66
Manitoba.....	927	559	40.25	45.70
Saskatchewan.....	761	525	41.55	46.26
Alberta.....	888	597	40.57	46.30
British Columbia.....	896	625	37.69	45.59

(*) Average based on wage-earners with earnings stated.

It will be seen from these tables that both from the standpoint of per capita net production and average money wages the taxable capacity of Nova Scotia is substantially less than that of the provinces of Ontario and Quebec, which have been the chief beneficiaries of the protective system. This disparity in taxable capacity between Ontario and Nova Scotia has its reflection in the relative weight of provincial taxation (excluding succession duties), in these provinces in relation to their per capita net production. The following table indicates the burden of provincial taxation in the two provinces as related to per capita net production in the years 1930 and 1931:

1930

Province	Per Capita Net Production	Per Capita Taxation, omitting Succession Duties	Ratio of per capita Taxation to per capita Net Production
Nova Scotia.....	223	5.56	2.5%
Ontario.....	402	6.79	1.6%

1931

Province	Per Capita Net Production	Per Capita Taxa- tion, omitting Succession Duties	Ratio of per capita Taxation to per capita Net Production
Nova Scotia.....	184.28	5.96	3.2%
Ontario	315.76	7.14	2.2%

It will be seen from the above comparison that in each of the given years the ratio of per capita taxation to per capita net production in Nova Scotia was about 50% higher than in the highly industrialized province of Ontario. In other words, although the per capita taxation was higher in Ontario than in Nova Scotia, the burden of taxation in relation to production is distinctly lower in Ontario than it is in Nova Scotia.

ANOTHER INDIRECT EFFECT OF THE PROTECTIVE TARIFF UPON TAXABLE CAPACITY OF THE PROVINCES

An indirect result of the concentration of manufacturing in Ontario and Quebec under the stimulus of the protective tariff is the artificial enlargement in those provinces of two sources of revenue which fall under provincial jurisdiction. One of these is the field of corporation taxes. The other is that of succession duties. It is not too much to say that the more favourable position of Ontario and Quebec in relation to these sources of revenue is due in considerable measure to a tariff policy which has operated to contract similar sources of revenue in Nova Scotia

and in other provinces. The relative importance of revenues derived from these sources in Ontario, Quebec and Nova Scotia during the past five years is indicated by the following table:

Succession Duties

Year	Nova Scotia	Ontario	Quebec
1927	188,384	9,468,950	3,690,542
1928	221,636	4,667,958	3,744,720
1929	290,456	6,610,381	4,213,582
1930	311,720	11,229,439	5,294,274
1931	256,415	9,504,814	6,697,262

Corporation Taxes

Year	Nova Scotia	Ontario	Quebec
1927	730,094	2,630,559	2,658,724
1928	691,826	2,754,442	3,256,934
1929	745,060	2,884,168	3,226,803
1930*	862,230	4,021,082	4,402,082
1931*	876,842	5,476,921	3,983,883

*Includes taxation of land.

HOW CAN DIFFERENCES IN TAXABLE CAPACITY BE NEUTRALIZED

It is self-evident that the differences in taxable capacity of the various provinces of the Dominion have a direct effect upon the ability of such provinces to discharge their constitutional obligations under the British North America Act. All the provinces have the same jurisdiction; all are under the compelling influence of the demand for more and better highways, and larger expenditures for education and social services. Ontario and Quebec, with their higher net production, due in a considerable measure to tariff protection, are obviously in a much better position to increase expenditures for these services by imposing higher rates of taxation upon their people. Nova Scotia, however, as already indicated, is now imposing provincial taxation which, in relation to net production is substantially higher than that imposed by the Province of Ontario. Various expedients have been suggested as a means of assisting the provinces to meet the growing requirements of these governmental services, which were not in contemplation when the original financial arrangements were established at Confederation. Broadly speaking these proposals have been as follows:

- (1) Increased subsidies to the smaller and less wealthy provinces.
- (2) A new delimitation of the fields of taxation with the general object of giving the provinces exclusive authority to impose income taxes on individuals.

(3) Assumption by the Dominion of responsibility for certain services which now fall under the constitutional jurisdiction of the provinces.

THE PROPOSAL TO NEUTRALIZE DIFFERENCES IN TAXABLE CAPACITY BY SPECIAL SUBSIDIES TO PROVINCES HAVING A LOW TAXABLE CAPACITY

It has been suggested that inequalities in the relative taxable capacity of the various provinces of the Dominion might be balanced by the payment of special subsidies to certain provinces on the basis of fiscal need. Looking back over some of the subsidy revisions made in past years, it must be acknowledged that increased subsidies paid to particular provinces, as distinguished from a general revision based upon a formula applicable to all the provinces alike, can be explained only on the assumption that differences in taxable capacity have been perceived even though the principle itself has not been affirmed explicitly as the basis of revision. Failing to find a satisfactory subsidy formula which would apply equally to all the provinces, the tendency has been to fall back more and more upon special subsidies payable to those provinces which claimed to be unable to support rising standards of governmental services from their own resources. This practice, it must be repeated, has not been founded upon any clear acceptance of the relation between demands for special subsidies and the prevailing inequalities of taxable capacity. It has been determined more by considerations of political expediency than by any scientific investigation of the inter-relation of subsidies, distribution of powers, delimitation of fields of taxation, and differences in taxable capacity.

Doubtless it will be impossible to eliminate completely the payment of special subsidies to particular provinces in order to meet urgent and unforeseen fiscal needs. Certainly it will be necessary to keep differences of taxable capacity in view in the general revision of subsidies which must be undertaken in the near future. It is submitted, nevertheless, that there are grave objections to the adoption of this policy as a complete and final solution of the major problem involved in the present financial relations between the Dominion and the provinces. These objections may be indicated briefly:—

(1) Differences in taxable capacity are not susceptible of exact measurement. They are relative rather than absolute and may be of a temporary character. The fact that broad differences exist can be demonstrated without difficulty. But it is not possible to represent these differences in taxable capacity in such terms as would permit of their being neutralized in respect of the provinces of low taxable capacity by the payment of a fixed scale of higher subsidies. Any settlement of this character would be tentative and unstable. If adopted it should form part of a more general re-arrangement of financial relations and should be made subject to periodic revision.

(2) The payment of a much higher scale of subsidies to some provinces than to others would expose the provinces receiving a substantially larger

measure of assistance from the Dominion Treasury to the charge that they were being 'kept' or 'pensioned' or 'supported' at the expense of the remaining portion of the Dominion. Attention would be focussed on the obvious fact of inequality in the subsidies paid to some of the provinces rather than upon the justification of this unequal scale when viewed in the light of differences in taxable capacity. Such an accusation, however, unjust, could not fail to affect the morale of the inhabitants of the provinces receiving special assistance. Inevitably it would lead to invidious comparisons and recrimination. Instead of promoting harmony it would produce friction.

(3) Past experience with subsidies has proved that unless they are designated for specific purposes they are likely to lead to extravagant spending, a not unnatural result when there is a disjunction between the taxing and the spending authority. The pressure for economy is reduced to a minimum when a large proportion of provincial revenue is obtained not from taxation but from general subsidies for which the spending authority is not directly accountable to the taxpayers. If special subsidies payable to certain provinces are to form part of a more general settlement of financial relations between the Dominion and the provinces they might be accompanied by measures of budgetary control undertaken by the provinces receiving them as a condition of their payment.

THE PROPOSAL TO INCREASE THE POTENTIAL REVENUES OF THE PROVINCES BY GIVING THEM EXCLUSIVE AUTHORITY TO IMPOSE TAXES ON INDIVIDUAL INCOMES.

As a means of enabling the provinces to raise revenue sufficient to meet the growing demands for larger expenditures on highways, education, and social services it has been proposed that the Dominion should make a partial retirement from the income tax field. As already indicated, the Dominion recognized that its appropriation of the income tax field during the late war would cause embarrassment to the provinces. It was intimated, in fact, that the Dominion would take the earliest opportunity of retiring from this field of taxation in order to make it available to the provinces exclusively. Owing to the magnitude of expenditures during the war period this expectation has not been realized. The Income Tax has become one of the two major sources of revenue for the Dominion.

The Dominion Income Tax as now levied applies under separate schedules of rates to corporations and to individuals. From 1923 onward the amount of income tax collected from corporations has been substantially greater than that collected from individuals. Since it has been recognized that the service of the war debt makes it impossible under present conditions for the Dominion to retire wholly from the income tax field, it has been suggested as a compromise arrangement that the Dominion should retain the income tax on corporations and leave the tax on individual incomes to the provinces. It has been assumed by those making this suggestion that the provinces would be enabled to secure sufficient revenues through the income tax on individuals to meet the growing demand for larger expenditures on highways, education, and social services.

Despite its seeming reasonableness, it cannot be said that this proposal offers any satisfactory solution of the fiscal difficulties of the smaller provinces. It would benefit most the provinces that need it least. It would confer no substantial relief on the provinces whose low taxable capacity now operates as a handicap to their efforts to provide governmental services comparable to these existing in the larger provinces. The following table indicates the amount of individual and corporate income tax collected in the various provinces of the Dominion during the last five years:—

1928-1929

Provinces	Individuals		Corporations		Totals	
	No.	Amount	No.	Amount	No.	Amount
P. E. Island.....	367	26,084.75	51	12,569.26	418	38,654.01
Nova Scotia.....	3,693	330,181.03	240	263,168.50	3,933	593,349.53
New Brunswick.....	2,682	290,947.34	218	262,739.05	2,900	553,686.39
Quebec.....	28,918	8,718,644.64	1,644	11,103,564.34	30,562	19,822,208.98
Ontario.....	55,743	11,532,268.84	3,280	17,158,013.74	59,023	28,690,282.58
Manitoba.....	10,174	1,316,498.96	607	1,956,106.90	10,781	3,272,605.86
Saskatchewan.....	7,799	467,949.64	343	426,544.26	8,142	894,493.90
Alberta.....	8,221	731,457.23	255	674,148.78	8,476	1,405,606.01
Br. Columbia.....	11,732	1,869,836.94	793	2,753,866.00	12,525	4,123,202.94
Yukon.....	334	9,579.15	7	18,653.90	341	28,233.05
TOTALS.....	129,663	24,793,448.52	7,438	34,628,874.73	137,101	59,422,323.25

1929-1930

Provinces	Individuals		Corporations		Totals	
	No.	Amount	No.	Amount	No.	Amount
P. E. Island.....	406	30,634.58	47	14,544.01	453	45,178.59
Nova Scotia.....	3,689	365,265.43	257	281,947.47	3,946	647,212.90
New Brunswick.....	2,759	341,333.11	230	270,645.22	2,989	611,978.33
Quebec.....	31,061	9,744,344.01	1,569	13,564,050.11	32,630	23,308,394.12
Ontario.....	63,004	12,332,235.59	3,497	20,796,396.92	66,501	33,128,632.51
Manitoba.....	11,312	1,490,982.76	619	2,216,786.21	11,931	3,707,768.97
Saskatchewan.....	8,187	518,575.50	422	518,830.16	8,609	1,037,405.66
Alberta.....	8,893	911,074.45	446	1,089,905.05	9,339	2,000,979.50
Br. Columbia.....	12,545	1,498,887.23	865	2,996,761.82	13,410	4,495,649.05
Yukon.....	298	2,922.07	5	16,935.01	303	19,857.08
Head Office.....		1,247.51		16,422.01		17,669.52
TOTALS.....	142,154	27,237,502.24	7,957	41,783,223.99	150,111	69,020,726.23

1930-1931

Provinces	No.	Amount	No.	Amount	No.	Amount
P. E. Island.....	490	30,649.44	54	15,022.06	544	45,671.50
Nova Scotia.....	3,462	364,143.17	267	301,866.09	3,729	666,009.26
New Brunswick.....	2,822	353,876.64	222	259,070.30	3,044	612,946.94
Quebec.....	30,211	9,466,028.55	1,524	13,621,541.95	31,735	23,087,570.50
Ontario.....	64,713	1,199,948.09	3,317	22,719,922.98	68,030	34,713,871.07
Manitoba.....	10,764	1,397,110.35	625	2,140,660.69	11,389	3,537,771.04
Saskatchewan.....	7,544	438,667.36	305	494,277.00	7,849	932,954.36
Alberta.....	8,956	1,001,748.07	458	1,314,294.44	9,414	2,316,042.51
Br. Columbia.....	14,279	1,571,001.71	827	3,535,452.14	15,106	5,106,453.85
Yukon.....	360	6,200.09	4	12,833.99	364	19,034.08
Head Office.....		797.65		8,899.29		9,696.94
TOTALS.....	143,601	26,624,181.12	7,603	44,423,840.93	151,204	71,048,022.05

1931-1932

Provinces	No.	Amount	No.	Amount	No.	Amount
P. E. Island.....	363	29,509.37	43	11,420.56	406	40,929.93
Nova Scotia.....	3,589	400,801.94	240	433,034.03	3,829	833,835.97
New Brunswick.....	2,668	313,311.48	190	217,540.50	2,858	530,851.98
Quebec.....	29,368	8,735,717.18	1,200	11,935,308.53	30,568	20,671,025.71
Ontario.....	60,358	11,575,632.27	2,529	18,692,674.16	62,887	30,268,306.43
Manitoba.....	10,007	1,025,786.71	451	1,206,561.79	10,458	2,232,348.50
Saskatchewan.....	5,479	255,186.99	273	148,293.80	5,752	403,480.79
Alberta.....	7,807	832,470.89	362	1,021,377.19	8,169	1,853,848.08
Br. Columbia.....	13,658	1,596,569.83	1,716	2,807,282.78	14,374	4,403,852.61
Yukon.....	324	7,306.30	6	3,053.40	330	10,359.70
Head Office.....		552.61		5,007.49		5,560.10
TOTALS.....	133,621	24,772,845.57	7,010	36,481,554.23	139,631	61,254,399.80

1932-1933

Provinces	Individuals		Corporations		Totals	
	No.	Amount	No.	Amount	No.	Amount
P. E. Island.....	496	25,189.92	57	59,670.39	553	84,860.31
Nova Scotia.....	4,988	448,054.67	247	441,294.26	5,235	889,348.93
New Brunswick.....	3,995	343,713.37	174	248,697.87	4,169	592,411.24
Quebec.....	37,445	9,521,960.21	1,573	11,930,106.79	39,018	21,452,067.00
Ontario.....	76,856	11,774,411.11	2,856	18,907,190.71	79,712	30,681,331.82
Manitoba.....	12,263	1,016,340.59	423	1,118,051.95	12,686	2,134,392.54
Saskatchewan.....	6,221	222,131.76	161	116,380.70	6,382	338,512.46
Alberta.....	8,403	519,071.01	333	859,054.82	8,736	1,403,125.83
Br. Columbia.....	15,917	1,651,339.17	653	2,435,136.31	16,570	4,082,525.48
Yukon.....	388	10,381.59	6	710.58	394	11,092.17
Head Office.....		391,092.14		936.92		392,029.06
TOTALS.....	156,972	23,959,465.54	6,483	33,107,231.30	173,455	62,066,696.84

It is apparent from these figures that the benefit arising from the proposed transfer of the individual income tax to the provinces would accrue largely to Ontario and Quebec, the same provinces which now enjoy a higher taxable capacity because of the concentration of the industrial life of the Dominion within their borders. The amount which Nova Scotia would have received under the proposed arrangement would not have exceeded \$450,000 in any of the last five years. The amounts receivable by New Brunswick and Prince Edward Island would be equally inadequate as a means of relieving their financial stringency or of expanding their governmental services. As the individual income tax is in itself a reflection of the variations in taxable capacity among the provinces of the Dominion, the mere act of giving over this source of revenue to all the provinces alike would emphasize these differences rather than neutralize them.

It must be noted again at this point that the higher taxable capacity of Ontario and Quebec is the result in large measure of the concentration of manufacturing in these provinces under the encouragement of a high protective tariff. Judging by the experience of the past three decades, the advantage in the per capita income enjoyed by Ontario and Quebec as compared with the Maritime Provinces is likely to increase rather than decrease in future years unless there should be a drastic change in the fiscal policies of the Dominion. The tax base of Nova Scotia, for example, has been narrowing steadily in recent years as a result of the decline of manufacturing activity, the corresponding decline in agriculture, the handicaps imposed upon its export industries by the tariff and the decrease in its population. At the same time the tax base of Ontario and Quebec has been broadened as a result of the establishment of new manufacturing industries under the direct encouragement of the tariff. There is no reason to believe that these opposite trends in the two groups of provinces will be reversed or even arrested in the near future. In addition to the expansion of income in Ontario and Quebec which can be attributed directly to the growth of protected industries, these provinces have the added advantage of large areas of agricultural land still available for settlement, and great resources of mineral wealth which already have undergone extensive development. Nova Scotia, and the Maritime Provinces generally, do not possess these possibilities of expansion and new creations of wealth. Their boundaries as determined originally before Confederation are not capable of extension. Their mineral wealth is incapable of any large degree of additional development. Their population is decreasing instead of expanding. Their export industries are operating under a heavy handicap. For all of these reasons the individual incomes which might be available for taxation are unlikely to increase in Nova Scotia. The only manner in which the individual income tax could be made substantially productive in this province would be to apply it to much lower brackets of income than are now covered by the Dominion schedules. This would merely accentuate the disparity between the weight of taxation as related to income in Nova Scotia and in the highly industrialized provinces of Ontario and Quebec.

Finally, the transfer of individual income taxes to the provinces would simply mean that the chief beneficiaries of the protective system, Ontario and Quebec,

would be enabled to appropriate for themselves and for their own development a still larger proportion of the subsidies received by their manufacturers under the protective tariff. It is important to remember that these subsidies are paid in considerable measure by the inhabitants of the other provinces. In other words the manufacturing industries which contribute so largely to the income tax both individual and corporate as well as to the general revenues of Ontario and Quebec are sustained by the contributions and sacrifices of the other provinces of the Dominion. The protected industries of the Dominion and the incomes derived from them are concentrated to the extent of about 80% in the provinces of Quebec and Ontario. The only way in which a portion of the income derived from this abnormal concentration of manufacturing in Ontario and Quebec can be distributed equitably among the other provinces is to leave the income tax in the hands of the Dominion with the understanding that it shall be used as an instrument of redistribution of national income. It must serve as a conduit through which a portion of the income which has been transferred from the other provinces to Ontario and Quebec as a result of the protective tariff shall be returned to those provinces whose taxable capacity has been affected adversely as a result of the unequal incidence of the protective tariff.

ASSUMPTION BY THE DOMINION OF RESPONSIBILITY FOR CERTAIN SERVICES WHICH NOW FALL UNDER THE CONSTITUTIONAL JURISDICTION OF THE PROVINCES.

It has been indicated that Nova Scotia in common with other provinces of the maritime group is unable because of its low taxable capacity to meet the demand for increased governmental services without imposing an intolerable burden upon its surviving industries and its declining population.

It has been demonstrated that the incidence of the Canadian tariff upon the economic life of Nova Scotia has contributed materially to its low taxable capacity through the drain upon its annual income and the burden imposed on its export industries.

It has been suggested that the financial difficulties of the provincial governments cannot be met satisfactorily either by an increase in the subsidy received from the Dominion or by a partition of the income tax field which would give the provinces exclusive authority to impose income taxes on individual incomes.

It is submitted therefore that the most satisfactory means of relieving the financial handicap on the provinces of low taxable capacity is the assumption by the Dominion of responsibility for certain services which now fall under the constitutional jurisdiction of the provinces.

The services which should be assumed generally by the Dominion are as follows:—

- (1) Full responsibility for Old-Age Pensions.
- (2) Full responsibility for Unemployment Insurance in so far as such a measure when adopted calls for governmental contributions.
- (3) Continuing grants for the maintenance of Technical and Agricultural Education, subject to revision after each decennial census, and with no stipulation requiring equal contributions for such purposes by the provinces.
- (4) The co-ordination of the Agricultural and Health departments and other concurrent services of the Dominion and the provinces with a view to the avoidance of duplication.

The assumption of these responsibilities by the Dominion is recommended by a number of considerations.

(a) They are services which obviously were not in contemplation when the financial arrangements between the Dominion and the provinces were established originally at Confederation.

(b) They are services which should be developed in accordance with common standards throughout the entire Dominion.

(c) They are services which ought to be established and controlled by the legislative authority which has access by taxation to the profits of industry and commerce.

(d) Their assumption by the Dominion would permit the provinces to release a larger share of their revenues for the development of their industrial resources and the promotion of trade. Under existing circumstances, the growing burden of social services is such as to prevent the smaller provinces especially from using a substantial portion of their revenues for developmental purposes.

Unless these services are assumed by the Dominion with its unrestricted taxing powers the provinces with low taxable capacity will be compelled to maintain standards of governmental services inferior to those supplied in the provinces which have been the chief beneficiaries of the fiscal policies of the Dominion during the past sixty years. Their assumption by the Dominion is the only satisfactory means of alleviating the continuing effects of the unequal incidence of the tariff upon the financial position of the provinces.

THE PERIODIC REVISION OF SUBSIDIES

With the transfer to the Dominion of the services enumerated above the question of annual subsidies to the provinces still remains. The acceptance of additional obligations by the national government merely rectifies an omission in the original federal scheme and ensures that certain common standards of social services shall be maintained in all the provinces. It does not remove the necessity of special financial assistance to the provinces as contemplated in the original scheme of federation nor does it rectify the position of the provinces whose industrial and commercial de-

velopment has been arrested or prejudiced as a result of policies pursued by the national government.

It must be recognized that the inequities in the fiscal position of the various provinces resulting from the incidence of national policies are not static but may be altered from time to time through changes in these policies. It is impossible to secure stability of subsidy payments for more than a limited period. In such circumstances it is suggested that the subsidies payable by the Dominion to the provinces should be made the subject of investigation and report by a Joint Commission representing the Dominion and the provinces and that this Commission should recommend a scale of annual subsidies which should apply until the year following the next decennial census. Thereafter the subsidies payable to the provinces should be reconsidered and revised if necessary in accordance with the recommendation of a similar Commission set up in the year of each decennial census.

In the determination of the subsidies to be paid until the year following the next decennial census the 1907 scale of payments with subsequent revisions in favour of particular provinces should be taken as the foundation and the investigation should be regarded as implementing the recommendation of the Royal Commission on Maritime Claims on the subject of re-assessment of subsidies. Due consideration must be given, however, to the unequal incidence of the tariff upon the several provinces and to their relative taxable capacity as indicated by indices of wealth and income. Any additional payments to the provinces should be made retroactive to the year 1932, that is, to the year following the last decennial census.

The subsidies having been determined in the first instance in accordance with the recommendations of a Joint Commission as indicated above, it will be desirable to adopt a principle of subsequent revision which will operate automatically within a narrow range of discretion given to the Commission which shall recommend future changes at each decennial census. This should not be impossible despite the obvious difficulty of securing general assent to any principle of equitable distribution. If fiscal need is to be the basis for any special subsidy payable to a province or group of provinces, it will be necessary to adopt some arbitrary tests of fiscal need which will bear an intelligible relation to the relative wealth and revenue capacity of the various provinces. Such a formula would have to be worked out with the co-operation of the Bureau of Statistics on the basis of indices which will reflect with reasonable accuracy the fiscal needs of the various provinces in relation to their separate revenue resources. Perhaps the most satisfactory guide in the payment of additional subsidies would be the relative per capita income indices, duly tested by reference to one or two other basic indices, such as that of total wealth, net production, etc. If the index for any previous settlement shows a declining tendency between successive decennial revisions relatively to an average index for the whole Dominion there is a *prima facie* case for extending further assistance to it, by discriminating in its favour in the matter of subsidies or subventions. And conversely if the index shows a rising tendency. The desideratum is to secure stability of pay-

ments for fixed periods and to remove the revision of subsidies from the dangers and abuses of political manipulation.

A CLARIFICATION OF PROVINCIAL TAXING POWERS

A subject closely related to the revision of financial arrangements proposed in the preceding paragraphs is the clarification of the taxing powers of the provinces. The powers of the Dominion Parliament to tax for Dominion purposes are unlimited. Under Section 91, sub-section 3, of the British North America Act the Dominion Parliament is given authority to the "raising of money by any mode or system of taxation." The taxing powers of the provinces, on the contrary, are restricted. Under Section 92, sub-section 2, each provincial legislature is given authority to impose "direct taxation within the province in order to the raising of a revenue for provincial purposes." Under Section 92, sub-section 9, provincial legislatures are also permitted to raise revenue by "shop, saloon, tavern, auctioneer and other licenses."

The limitation of the provinces to direct taxation and licenses has placed a severe strain on the ingenuity of the finance departments of provincial governments. Their embarrassment has been increased by the fact that the Dominion is empowered to invade the field of direct taxation. At present the provinces have no wide powers of taxation which are peculiarly their own, and the Dominion through its appropriation of the income and sales tax fields has deprived the provinces in effect of the opportunity to cultivate these elastic sources of revenue. It cannot be said, moreover, that the courts in their interpretation of the taxing powers of the Dominion and provinces have developed any satisfactory distinction between indirect and direct taxes. In general they have been influenced by J. S. Mill, and have adopted the view that the character of the tax is determined by the intention of the legislature which imposed it.

In the United States the recent tendency of judicial opinion has been to admit that only obviously direct taxes, like property taxes, and poll taxes, are direct in the constitutional sense. If such a rule were adopted by the courts in Canada it would place a severe restriction upon the taxing powers of the provinces. The truth is that the distinction between direct and indirect taxes is extremely vague, and the attempt to maintain it in Canada has not been satisfactory. It is submitted, therefore, that in the consideration of new financial arrangements between the Dominion and provinces, attention should be directed to the task of re-defining the taxing power of the Dominion and provinces respectively under the federal constitution.

THE REVISION OF THE DEBT BURDEN OF THE PROVINCE

One further subject should receive attention from the standpoint of the provinces in any broad revision of the financial arrangements of the British North

America Act. The debt structure of the provinces is such as to impose a heavy and growing burden upon their revenues. In Nova Scotia the interest required to maintain the service of the provincial debt has increased from \$505,642 in 1916 to \$2,083,937 in 1931.

It has already been emphasized that a large proportion of the debt of the province has been incurred in respect of services which were not in contemplation when the British North America Act was framed.

The terms and distribution of the provincial debt are such as to preclude the conversion of the debt by the province at lower rates of interest. The bonds, for the most part are not callable and are held largely outside the province. It would appear that the only means by which the interest burden on provincial debts can be reduced is through a scheme of conversion in which the Dominion Government will lend its credit for a broad scheme of refunding at lower rates of interest. The Commission will have an opportunity of discussing this problem fully with the Provincial Treasurer and other officials of the Treasury Department of the province. It is a matter of the utmost importance to Nova Scotia as one of the smaller and less wealthy provinces of the Dominion.

CHAPTER XV.

CONCLUSION

In concluding this submission on behalf of the Government of Nova Scotia, it may be useful to recapitulate briefly the grounds upon which this province bases its claims for relief and compensation:

1. It has been indicated by historical evidence that Nova Scotia entered the Canadian Federation under circumstances which established the strongest equitable claim for special consideration of its economic interests in the administration or revision of the federal constitution.
2. It has been indicated that this equitable claim for relief was so substantial on its merits as to elicit from responsible Ministers of the Crown in Great Britain repeated and unequivocal assurances that the Dominion Government would relax and modify the arrangements of the federal constitution in relation to taxation, the regulation of trade, and fisheries in so far as these arrangements were found to be prejudicial to the peculiar interests of Nova Scotia and the Maritime portion of the Dominion.
3. It has been indicated that in fact the only provisions of the federal constitution which were relaxed in favor of Nova Scotia were those which related to the original financial settlement between the Dominion and the province.
4. It has been demonstrated that the Dominion Government, in the exercise of its powers for the regulation of trade, initiated and has continued a tariff policy which, in its operation, has been and is now prejudicial to the interests of Nova Scotia and the Maritime portion of the Dominion. As a result of this policy there has been a gradual but steady decline of manufacturing in this province, accompanied by an arrested development of its export industries, due largely to the incidence of tariff costs upon these industries during a period of more than half a century. This undermining of the basic economic interests of Nova Scotia has been followed by social consequences of a grave character culminating in an absolute decline of its population and a lowered standard of living for an increasing number of its inhabitants.
5. It has been demonstrated that the economic retrogression of Nova Scotia has been accelerated by transportation handicaps which are closely inter-related with the development of the fiscal policy of the Dominion. As a result of the combination of tariff and transporta-

tion disabilities Nova Scotia has been placed under severe handicaps in respect both of internal and external trade.

6. It has been proved that the persistent enervation of the industry and commerce of the province has had its reflection in the lowering of its wealth and income. This diminution of the revenue-producing capacity of the province has made it difficult, if not impossible, for the provincial government to discharge the obligations entrusted to it under the federal constitution, and to meet the growing demand for social services on a basis comparable to the services established by other provinces.
7. It has been demonstrated that under the existing constitution as interpreted in the light of modern social philosophy and judicial interpretation, and under the fiscal and transportation policies and arrangements now subsisting, it is impossible for Nova Scotia to maintain itself as a self-reliant and economically healthy community within the Canadian Federation.
8. It has been submitted that the removal of the economic disabilities of Nova Scotia can only be accomplished by important modifications of the fiscal and trade policies of the Dominion, accompanied by developmental undertakings designed to assist in the establishment or resuscitation of forms of economic activity for which the province possesses natural advantages by virtue of its resources and geographical location.
9. It has been demonstrated that the British North America Act, 1867, in respect of its distribution of powers, delimitation of fields of taxation, and arrangements for subsidies to the provinces, is unsuitable and inadequate and imposes burdens upon the province which were not in contemplation when it was enacted. It has been submitted that the time has now arrived when these original arrangements of the federal constitution should be reconsidered and revised in the light of the experience of the past sixty-seven years, and in accordance with the requirements of the present day.
10. Upon these various premises, it is urged that Nova Scotia is entitled to relief and compensation, not merely in pursuance of the assurances given on the occasion of its entrance into the Canadian Federation, but also on the broad equitable ground that a federation defeats its primary purpose if through its constitutional arrangements or through policies instituted by the national government it accomplishes the gradual debilitation of one or more of the provincial communities of which it is composed.

APPENDIX A.

DETAILED SURVEY OF MANUFACTURING IN NOVA SCOTIA 1900-1933.

- No. 1. Survey of factories removed from the province or closed during period 1900-1933.
- No. 2. Estimated loss of population and municipal revenues due to decline of manufacturing in the province.
- No. 3. Manufacturing industries now established in the province.
- No. 4. Census survey of manufacturing in Nova Scotia (1931).

NUMBER I.**DETAILED SURVEY OF MANUFACTURING IN NOVA SCOTIA
1900-1933**

In order to obtain from local sources of information a record of manufacturing in Nova Scotia, 1900-1933, a questionnaire was addressed to the Town Clerks of Incorporated Cities and Towns throughout the Province. This questionnaire was in the following form:

1. (a) What manufacturing industries (employing five hands or more) were operating in your community in the years 1901, 1910, 1921, and 1931 respectively?
(b) What products did they manufacture?
2. What was the average number of employees in each of these industries in the years specified?
3. (a) What industries to your knowledge have been closed down or removed from your community since 1900?
(b) What reasons are given for the close-down or removal in each case?
4. (a) What industries are established in your community at the present time?
(b) What products do they manufacture?
(c) What is their average working force in each case?
5. To what extent (estimated) has your community suffered a loss of tax revenue because of the disappearance of industries formerly established?
6. To what extent has your community suffered a loss of population for the above reason?

The information received in response to this questionnaire affords interesting evidence of the trend of manufacturing activity in Nova Scotia. It is subject, of course, to the defects common to all Questionnaires, in that the answers given are not strictly uniform, and are based, no doubt, in part upon inadequate information, especially for the earlier years of the period under review. At the same time, the information was presented in considerable detail, and there is no reason to doubt its general accuracy as to the facts. Question 3 (b), which asked for the reasons given for the close-down or removal of factories, allowed considerable latitude for the ex-

pression of individual opinion, and some of the answers given would, no doubt, have to be corrected on further investigation, assuming facts were available. The following tabulation gives a summary of the information given in answer to this questionnaire, under the following headings:

Factories closed down or removed since 1900.

Products manufactured.

Reason for close-down or removal.

Town or City	Factories closed or removed since 1900	Products Manufactured	Reason
Amherst	Amherst Woolen Mills	Cloth yarns blankets	Narrowing of market for product and persistent loss on operation. Centralization of mfg. in Central Canada.
	Malleable Iron Works	Castings etc.	
	Amherst Pianos Ltd.	Pianos Gramaphones	
	Cumberland Pork Packers		
	Amherst Motor Works		
	Victor Woodworks	Builders' supplies	
Annapolis Royal	Buckler Brick Co.	Brick	World-wide economic conditions.
	Callas Whitman & Co.	Fish dryer	
	Elec. Light Co.	Electricity	
	R. Hardwick	Contractors' supplies	
	R. C. Hamilton	Printing	
	A. M. King	Clothing	
	Pickles & Mills	Lumber	
	Annapolis Larrigan Fac.	Larrigans & shoepacks	
	Annapolis Hardwood Co.	Flooring	
	Canada Ski Co.	Skis & sleds	
	Robin Jones & Whitman	Fish dryer	
Antigonish	Chair factory		Outside competition.
Berwick	Western Cannery Mar. Ltd.	Can. Apples	Liquidation.
Bridgetown	McKenzie Crowe & Co. Ltd.	Tannery; larrigans	Demand died.
	Bridgetown Foundry Co.		Outside competition and bankruptcy.
	Bridgetown Brick & Tile	Bldg. brick & tile	Amal. with N. S. Brick. Bankruptcy.
	Parker Canning Plant	Prep. Pumpkin	Lack of capital.

Town or City	Factories closed or removed since 1900	Products Manufactured	Reason
Bridgewater	Davison Lumber Co.		Raw material exhausted on LaHave watershed.
	C. N. R. Office & Shops		Policy of centralization.
Canso	Four factories	Fish products Can. lobster Smok. & dry fish Glue & fertilizer	Failure of fishing industry. Better facilities elsewhere for removal of one industry to Halifax.
Clark's Harbor	Cooperage	Fish barrels etc.	Lack of demand.
	2 Canneries	Can. lobster etc.	Change in regulations.
	2 Fish plants	Boneless Cod	Unable to operate at a profit.
	2 Blacksmiths		
Dartmouth	Calder Fraser Co.	Cornmeal	Death Mr. Calder and Upr. Can. competition.
	Dartmouth Rolling Mills	Bar Iron	Lim. capital & internal disagreement.
	Douglas Iron Foundry	Castings	Upr. Can. competition.
	Evans & Son Ltd.	Boilermakers	Bought out by Hfx. Shipyards.
	Halifax Breweries Ltd.	Ale & Stout	Prohibition.
	Alex Hutt	Carriage bldr.	Upr. Can. competition.
	G. C. Kingston	"	"
	Joshua Mader	Boat builder	"
	R. J. Matheson	Flour & Meals	"
	J. P. Mott & Co. Ltd.	Soap Cocoa Choc.	"
	Mumford's Iron Foundry	Castings	Upr. Can. competition.
	N. Russell & Co.	Cans tinware	"
	Wallace Iron Foundry	Castings	"
	A. A. Webber & Son	Boilermakers	Bought by Hfx. Shipyards.
	E. F. Williams	Boat builder	Death Mr. Williams and exp. of property by C. N. R.
Digby	Deep sea fishing by schooner & motor boats		Geographical.
Dominion	1A Colliery Dom. Coal Co.		Taking coal from 1B in Glace Bay.
Glace Bay	Never had any		
Halifax	Longard Bros.	Machinists hot wtr. Engineers	
	McDonald & Co.	do	
	John Fry	Bakers	
	F. J. Scott	Bakers	
	Amherst Boot & Shoe (Branch)		
	J. W. Heckman Boot & Shoe Mfg. Co.		

Town or City	Factories closed or removed since 1900	Products Manufactured	Reason
Halifax (Cont'd.)	Robt. Taylor & Co.	Shoe mfgs.	
	Power & Co.	Brass founders	
	Highland Spring Brewery Co.		
	Halifax Breweries Ltd.		
	Geo. Thompson	Broom & Brush Factory	
	Carrite Paterson Mfg. Co.	Roofing	
	Jas. Dempster & Co.	Sash Factory	
	J. C. Merlin	Sash Factory	
	Rhodes Curry & Co.	Sash Factory	
	Leslie Hart & Co.	Canned goods	
	J. J. Carnell	Carriage builder	
	Hosterman & Graves	Carriage builder	
	A. J. McNutt	Carriage builder	
	Glenn & Brown	Cigar mfgs.	
	Halifax Cigar Co.	Cigar mfgs.	
	W. & C. Silver	Clothing mfgs.	
	F. J. Quinn	Aerated waters	
	Cunningham & Curren	Cornmeal	
	Gun & Co. Ltd.	Cornmeal	
	Dom. Cotton Mills Ltd.		
	Brown & Webb	Mfg. Chemists	
	Forsythe Sutcliffe & Co.	" "	
	Simpson Bros. & Co.	" "	
	Ferguson & Cox	Brass Founders	
	W. W. Howell & Co.	Boiler makers	
	J. A. Thompson	Foundry	
	M. S. Brown & Co. Ltd.	Mfg. Jewellers	
	W. Bishop & Co.	Marble Workers	
	J. M. Chase & Co.	Match mfgs.	
	C. Blackadar & Sons	Sail makers	
	G. Flowers & Son	Sail makers	
	T. Forhan & Co.	Sail makers	
	Parker & Taylor	Sash & Door mfgs.	
	J. Quigley & Co.	" " "	
	Hfx. Shovel Co.	Shovel mfgs.	
	E. P. Forbes	Skate mfgs.	
	Burns & Co.	Slate & Wood mantels	
	Ezra Davidson	Sheet metal worker	
	C. R. Hoben & Co.	Heating & Plumbing	
	Acadia Tobacco Factory		
	Mayflower Tobacco Co.		
	McAlpine Pub. Co.	(Suc. by Royal Print & Litho)	
	Canada Atlantic Canning Co.		
	E. F. Hart & Co. Ltd.	Canners	
	T. F. Smith & Co. Ltd.	Canners	
	Silliker Car Co. Ltd.	Ry. Cars	
	Brittania Mfg. Co.	Cloak & Skirt mfgs.	
	Maritime Mfg. Co. Ltd.	Overalls etc.	
	Hfx. Steam Cooperage		
	Silliker & McMann	Mfgs. Office Fittings etc.	

Town or City	Factories closed or removed since 1900	Products Manufactured	Reason
Inverness	Nil		Sold out. Moved to Amherst.
Kentville	McKay Motor Co. Kentville Woodworkers Apple Evap. Plant		Owner in Ontario. Claimed no market.
Liverpool	Shipbuilding Pulp Mills Iron Foundry Sail Lofts Wooden Box Factory Bucket Factory Ski Plant		Lack of markets. " " " " " "
Lockeport	Cannery Fish Firm		Change in lobster law.
Louisbourg	Lobster Factory Dominion Coal Co.		Only ship from here in winter months.
Mahone Bay	Mahone Machine Co. Perfect Spray Co.		Bad management Competition.
Middleton	Gates' Cooperage Cooperage Co. of Canada Middleton Evaporator		Insolvency of parent Co. Depression in staves. Burned.
Mulgrave	No factories. C. N. R. Terminal.	Men only on part time.	
New Glasgow	Brown's Machine Munro Wire Works Fraser Foundry John Stewart W. P. McNeil R. Dand F. Drake Creamery & Cheese Baillie Harrow Colonial Granite Co. Fraser's Woodwork Harris Forge Maritime Bridge Co. New Glasgow Machine		Burned Burned. Dead. Dead Retired. Dead. Burned.

Town or City	Factories closed or removed since 1900	Products Manufactured	Reason
New Waterford	Dominion No. 14 Colliery Dominion No. 15 Colliery		No market for coal. No market for coal.
North Sydney	Silicate Brick Co. C. B. Cold Storage Co.		No market. Business decline and plant destroyed.
Oxford	American Furniture Co. Brick Kiln Saw Mills Shingle Mill		Burned down. Removed to Pugwash. No logs. Competition too great.
Parrsboro	Larrigan Factory Shipyards	Larrigans, tan leathers, shoe packs	Bankruptcy and closed. Due to elimination of sailing vessels.
Pictou	Colonial Standard Copper Crown Mining Co. A. McKenna Tobacco Factory N. S. Boot & Shoe Co. J. Carson & Sons Viper Boat Co.	Printing Smelting works }	Death of owners. Lack of Management. Unable to procure raw materials at competitive prices; too far removed from markets.
Port Hawkesbury	Leonard Fisheries Ltd. National Fish Co. Ltd.	Fish products " "	Liquidation. Closed plant.
Port Hood	Coal Mine (1911)		Flooded with water
Shelburne	Some shipyards and boat shops		Business failures—2. Lack of orders—2.
Springhill	None		
Stellarton	Pictou Co. Electric		Taken over by Pictou Co. Hydro Board.
Stewiacke	None		
Sydney Mines	Steel Works Jubilee Colliery No. 4 Colliery No. 2. Colliery Queen Pit		N. S. Steel & Coal and Dom. Iron & Steel amalgamated. Conditions not favorable. Worked out. Not sufficient cover. Worked out.

Town or City	Factories closed or removed since 1900	Products Manufactured	
Sydney	McKenna Bros.	Tobacco mfgs.	Out of business 1903.
	J. E. Lefurgey	Contractors	Moved P. E. I. 1905.
	Martin & Boutilier	Plumbers	Moved 1908.
	John Morley	Contractor	Out of business 1916.
	Rhodes Curry Co.	"	Moved 1910-1921.
	Shaw & Bearisto	Plumbers	Moved 1910-1921.
	Sydney Mfg. Co.	Wood Mfgs.	Moved 1901-1910.
	Wood & McBeth	Contractors	Moved 1901-1910.
	Nash & McAllister	Aerated waters	Out business 1926.
	Ronald Gillis	Contractor	Out business 1916.
	Mayflower Bottling Co.	Aerated waters	Out business 1926.
	Petrie Mfg. Co.	Aerated waters	Out business 1927.
	Saunderson Mfg. Co.	Tar paper & roofing	Ceased operations 1922.
	Shaw & Mason Ltd.	Foundry etc.	Out business 1926.
	Andrews Bros.	Contractors	Out business 1923.
	George Barker	Aerated waters	Out business 1906.
	Michael Bates	Painter	Out business 1908.
	R. C. Bulley	Contractor	Out business 1920.
	Estano & Co.	Plumbing	Out business 1918.
	A. D. Falconer	Contractor	Moved 1907.
	Farlinger & Stevenson	Contractors	(S. H. Stevenson after 1905).
	C. W. Higgs	Contractor	Moved 1904.
	E. W. Johnston	Wood factory	Moved 1905.
	Sydney Cement Co.	Cement & blocks	Out business 1910.
	Sydney Pressed Brick	Bricks & blocks	Out business 1910.
	C. B. Engineering Works		Out of business 1916.
		(Verner Eng. Works 1918-22)	
	Cross Fertilizer Co.	Fertilizer	Out of business 1928.
	W. T. Lynch	Bricks	Out of business 1931.
Truro	Truro Foundry & Machine Co.	Castings etc.	Death of former owner
	McLeod Bros	Wire Mattresses	"
	Geo. A. Christie	Woodworking	Voluntary.
	A. A. Archibald	Carriages	Death.
	J. Lewis & Son	Pegs & Lasts	Removal.
Wedgeport	None		
Westville	Mine	Coal	No sale for products.
	Coke Ovens & Brick Works		"
	Woodworking Factory		"
	Foundry		"
	Sheet Metal Works		"
Windsor	Dominion Cotton Co. (Suc. by N. S. Textiles)		
	Pidgeon Fertilizer (Absorb. by Colonial Fertilizer)		
	Windsor Supply Co. (Absorb. by Windsor Furn. Co.)		Economy in freights and management by amalgamation with existing plants in the Prov. of Quebec.

Town or City	Factories closed or removed since 1900	Products Manufactured	Reason
Wolfeville	None		
Yarmouth	Burrill Johnson Iron Co.	Stoves, castings	} Lack of business and finance. Perhaps some poor management.
	W. H. Redding & Co.	Shoe factory	
	Milton Foundry	Castings	
	Yarmouth Knit. Mills	Hosiery, Underwear	
	Yarmouth Wool. Mills	Woolen goods	
	G. F. Allen & Sons	Barrels, boxes	
	Can. W. Working Co.	Lumber, etc.	

NUMBER 2.

Questions 5 and 6 on the Questionnaire asked for an estimate, (1) of the loss suffered by the community in tax revenue because of the disappearance of industries formerly established in the community; and, (2) loss of population suffered by the community through close-downs or removal of industries. The answers given to these questions cannot be regarded as an accurate statement of the true situation; at the same time they do afford useful information as to the effect of the decline of manufacturing in Nova Scotia on the population of towns and cities, and revenues collected by such municipalities. The following table summarizes the information given under the following headings:

(1) Loss of population due to closing of factories.

(2) Loss of tax revenue due to closing of factories.

Town or City	Loss of population due to closing of factories	Loss of tax revenue due to closing of factories
Amherst	25%	25%
Annapolis Royal	200-300	\$30,000.00
Antigonish	Nil	Practically nil
Berwick	Nil	\$300.00
Bridgetown	No decrease but considerable unemployment	\$2,000.00
Bridgewater	300	\$10,000.00
Canso	Number of families and young men migrated; others living on relief	\$2,500.00
Clark's Harbor	10% (since incorp. 1919)	5%
Dartmouth	4000 increase	\$10,000.00
Digby	400	\$3,850.00
Dominion	Nil	\$35,000.00
Glace Bay	Increase	Nil
Halifax		
Inverness	None	None
Kentville	20%	20%
Liverpool	10%	25%-35%
Lockeport	Nil	Nil

Town or City	Loss of population due to closing of factories	Loss of tax revenue due to closing of factories
Louisbourg	200	\$40,000.00
Mahone Bay	Nil	\$100.00
Middleton	50-100	Very small
Mulgrave	75	Almost impossible to collect
New Glasgow	10%	
New Waterford	3000	\$30,000.00
North Sydney	800	Industries now closed were largely exempt from taxes. Loss about \$3 500.
Oxford	20%	Poll Taxes 50%. Concession made in taxes to industries to hold them.
Parrsboro	500	\$300.00 at least.
Pictou		\$1 500.00
Port Hawkesbury	None yet	
Port Hood	60%	50%
Shelburne	Nil (greater in 1931 than in 1921)	Nil
Springhill	Increase 600	\$3,000-\$4,000. Not through lack of industry but inability of Coal Co. to engage local labor.
Stellarton		
Stewiacke		
Sydney Mines	1000	33 1/3%
Sydney	Increase	\$32,800.00
Truro	75	\$2,000.00
Wedgeport		
Westville	600	\$3,000.00
Windsor	Nil	Nil
Wolfville	Nil	Nil
Yarmouth	Very little	\$10,000.00

It is quite certain that the answers given to question No. 6 are not uniform. In some cases the Town Clerk bulked the loss of tax revenue over the entire period, whereas in other cases the annual loss of tax revenue was given. There is no doubt, however, that the close-down and removal of factories has resulted in a substantial loss of revenue with the majority of Towns and Cities covered by the questionnaire. The effect of this loss of tax revenue has been serious, both in its direct and indirect consequences. It has resulted, of necessity, either in reduction of services or an increase in the tax rate. Where the latter expedient has been adopted it operates as a deterrent both to the establishment of additional factories, and the influx of new population.

NUMBER 3.

MANUFACTURING INDUSTRIES NOW OPERATING IN NOVA SCOTIA

Question No. 4 of the questionnaire asked for a return, giving (a) a list of industries established in the community at the present time; (b) products manufactured; (c) average working force of each factory. The following table gives a summary of the information received in answer to these questions:

Town or City	Factories now operating	Products manufactured	Av. work force
Amherst	Robb Eng. Works Ltd.	Engines boilers	70
	Christie Bros. & Co. Ltd.	Trunks bags caskets funeral supplies	65
	A. E. Wry Stand. Ltd.	Boots, shoes, harness	50
	Rhodes Curry Ltd.	Builders supplies	10
	Enamel & Heating Prod. Ltd.	San. enamelware, furnaces, etc.	85
	Can. Car & Fdy. Ltd.	Ry. cars, wheels, rolled stock	36
	Mar. Pant Mfg. Co.	Men's pants, windbreakers	100
	McLean Milling Co. Ltd.	Feed	3
	Tingley Granite Works Ltd.	Monuments	6
	Blacking Co. Ltd.	Shoe blacking & dressing	2
	Tennants Ltd.	Beverages & Ice Cream	5
	Chapman Bros.	Beverages	3
	Amherst Creamery	Dairy products and Ice Cream	8
	Victor Bakery	Bread cakes etc.	5
	Fraser's Bakery	Bread cakes etc.	4
	F. A. Hewit & Sons	Can. goods	5
Annapolis Royal			
Antigonish	Woodworking factory	Lumber and the finished product	8
	Woodworking factory		8
	Dairy Mfg. plant		8
Berwick	Berwick Bakery	Bread & Pastry	15
	Berwick Fruit By-products	Apple by-products	12
	T. S. Simms Co. Ltd.	Dehydrating (not yet operating)	
Bridgetown	J. H. Hicks & Sons	Woodworking	10
	Beeles & Peters	Barrel stock etc.	5
	M. W. Graves & Co.	Cider Vinegar & Ev. Apples	
		Spring & Summer	15
		Fall	120
Bridgewater	Annapolis Valley Cyder Co.	Cider, Vinegar, Bevs.	8
	LaHave Creamery		10
	Lunenburg Milling Co.		10
	Telfer-Crowe Woodworkers Ltd.		20
	Acadia Gas Engines		20
	Lunenburg Cannery Ltd.		40
	C. N. R. Shops (curtailed)		25
Canso	One firm handling salt fish		
Clark's Harbor	Boat & Dory Building	} variable depending on demand.	
	Fish Canneries		
	Oil Clothing		

Town or City	Factories now operating	Products manufactured	Av. work force.
Dartmouth	Consumers Cordage Co. Ltd.	Rope	68
	Dominion Molasses Co. Ltd.	Molasses, Syrup, L. J.	15
	Haldar Canneries Ltd.	Can. fish products vlegs.	5
	Liquid Carbonic Can. Corp. Ltd.	Carbonic Gas	3
	Starr Mfg. Co. Ltd.	Skates nuts & bolts	50
	E. H. McElmon	Sashes and woodwork	3
	Imperial Oil Ref. Ltd.	Gasoline and Oil Products	535
Digby	Maritime Fish Corporation	Cured Fish	75
	H. T. Warne	Lumber, box-making	100
	Electric Power Plant		9
Dominion	Nil		
Glace Bay	Dominion Coal Co.		5 070
Halifax	Moir's Ltd.	Confectionery, bread, etc.	1 000
	J. J. Scriven & Sons	Bakery products	16
	Halifax Meal Mills Ltd.		6
	A. Keith & Son	Brewers	49
	John MacInnes & Son	Lumber & contractors	10
	Simpson Roberts & Co.	Comm. Merchants	7
	N. S. Fertilizer Co.		
	Gordon & Keith		9
	Clayton & Sons	Tailoring, men's & boys' clothing (formerly 350)	100
	W. H. Schwartz & Sons	Coffee, Spice mfgs.	
	Jas. Crosskill & Co.	Syrups, L. Juice, etc. (Moved to Dartmouth)	
	W. H. Donovan	Carbon Beverages	10
	Whelan & Ferguson	" "	4
	Flemming Bros.	Brass founders	9
	Hillis & Sons Ltd.	Foundry	57
	Brandram Henderson Ltd.	Paints, etc. (formerly 60)	20
	Davis & Fraser	Pork packers	30
	Mitchell & Shaffner	Sail makers	2
	Jas. Donohue Ltd.	Roofers, sheet metal wkrs. auto body reprs., welders	12
	Bentley & Flemming	Spars, oars, hollow masts	3
	Acadia Sugar Refining Co. Ltd.		250
	Farquhar Heating & Plumbing Co.		10
	Kellys Ltd.	Leather goods	8
	Acadia Powder Co. (now Can. Industries Ltd.)		25
	Phillips & Marshall	Printers	5
	Oland & Sons Ltd.	Brewers	40
	Bens Ltd.	Bakers and Canners	60
	Burns & Kelleher	Marine Engrs.	10

Town or City	Factories now operating	Products manufactured	Av. work. force
Halifax cont'd.	Piercey Supplies Ltd.	Bldgs. supplies woodwks.	40
	Rameys Ltd.		
	Barrett Co. Ltd.		
	Halifax Shipyards Ltd. (formerly 800)		100
	Guildfords Ltd.	Machinery	8
	Bluenose Bev. Co.	Carbon. Beverages	5
	Building Supplies & Milling Co. Ltd.		13
	Vetcraft Industries		11
	J. & M. Murphy Ltd.	Dry goods	75
	(Figures given here for largest employers only)		
Inverness	Coal mining		(about) 500
Kentville	Lloyd Mfg. Co.	Saw Mill machinery	7
	Redden Woodworking Co.		6
	Niagara Spray Co.		5
	D. A. R. Machine Shops (time cut to 16 ds. or 20 a month)		125
Liverpool	Newsprint Mill		300
	Fish Cold Storage Plant		20
	Machine Shops		
	Iron Foundry		
	Marine Railway		30
Lockeport	Lockeport Co. Ltd.		
	Swim Bros. Ltd.		
Louisbourg	Fishing only industry		
Mahone Bay	Ernst Shipbuilding Co.	Boats vessels yachts	20
	J. McLean & Sons	" " "	12
	Hamm Yacht Yard	" " "	4
	Maritime Mfg. & Ltd.	Builders' Supplies	8
	Oak & Black Works	Vessel accessories	5
Middleton	A. W. Allen & Sons	Building materials	20
	Valley Milling Co.	Corn products & barrels	8
	G. N. Reach & Sons	Barrels & Apples	8
	Middleton Fruit Co.	Packed Apples	5
	C. M. Hoyt	Monuments	6
	W. D. Rice	Monuments	8
	MacKenzie Creamery	Butter	10
	Scotian Gold Ltd.	Beverages	10
	Maritime Tel. & Tel. Co.	Tel. Construction	12
	E. L. Balcom & Son	Machinery	12
	C. B. Mosher	Concrete Blocks	3
Mulgrave	A. & R. Loggie Co. Ltd.	Fish	35

Town or City	Factories now operating	Products manufactured	Av. work force.
New Glasgow	Angus Grant	Woodwork	2
	Matheson's Foundry	Boilers	30
	J. W. Cumming Mfg. Co.	Foundry Steel	100
	J. E. Garrett Ltd.	Mats Woolen Mills	15
	Johnson & McDonald	Flour Feed	15
	Sunshine Laundry	Laundry	20
	Riverbank Mfg. Co.	Eel grass plant	15
	Steel Furnishing Co.	Stokers	25
	Standard Clay Products	Tile etc.	70
	Muirhead & Fraser	Foundry	5
New Waterford	2 Coal Mines		1 700
	Fishing Industry		50
North Sydney	Thompson & Sutherland Ltd.	Stoves, ranges etc.	35
	Home Bottling Co.	Mineral waters	10
	Leonard Bros.	Fish Products	4
	Albert Jesty	Bread & Pastry	
	Charles Meloney	" "	7
Parrsboro	None. Only employment at present from shipping of pulpwood and lumber. (During summer ship. 30)		
Oxford	Oxford Woolen Mills Ltd.	Woolen goods blankets etc.	15-20
	Oxford Furniture Co.	Furniture, bldg. materials	5-10
	Oxford Foundry & Machine	Saw mills, castings, etc.	5-10
Pictou	Pictou Foundry	Foundry, machinists	12
	Pictou Advocate	Printing	7
	Burnham & Morrill Co.	Lobster packers (in season)	100
	Fred Magee Ltd.	" " "	100
	Maritime Packers Ltd.	" " "	100
	D. Fullarton & Son	Woodworking	12
	G. J. Hamilton & Son	Biscuits, confectionery	100
	J. & J. Yorston	Marine Railway	4
Port Hawkesbury	P. H. Marine Railway		
	H. W. Embree & Sons	Yachts, boats	5-30
Port Hood	None		
Shelburne	Shipbuilding		15
	Cold Storage Plant		15
	Box Factory		25
	Machine Shop		5
	Granite Works		5
	Boat Shops		5

Town or City	Factories now operating	Products manufactured	Av. work force.
Springhill	Cumberland Ry. & Coal Co.		1 400
Stellarton	D. Porter & Son	Lumber	5
	Pictou Co. Dairy	Butter & Ice Cream	5
	Fraser & Ross	Flour & Feed	5
Stewiacke	Canadian Lumber Co.	Laths, box shooks etc.	60-70
	J. Lewis & Sons Ltd.	Peg Wood	50
Sydney Mines	Princess Colliery		869
	Indian Cove Coal Co. (three small mines)		96
Sydney	Dom. Tar & Chem. Co.	Tar, pitch, etc	20
	H. M. Israel	Contractor	5
	John W. Stephens	Contractor	5
	Frank Bayer & Co.	Plumbing	5
	O'Callaghan & McKenzie	Painters	5
	Chappell's Ltd.	Contractors	67
	James Clarke	Foundry	24
	(Sydney Foundry & Machine Co. after 1912)		
	Dom. Coal Co.	Coal shipping	214
	Dom. Iron & Steel Co.	Iron & Steel	1 740
	C. B. Electric Co. Ltd.	Electricity	35
	Havelock Bottling Co.	Aerated waters	6
	Hagen & Co.	Plumbers	6
	R. G. McDougall	Contractor	5
	Edwin G. Shaw	Roofing etc.	7
Truro	Stanfields Ltd.	Underwear	400
	Borden Ltd.	Cond. Milk & Coffee	10
	Eastern Hat & Cap Co.	Hats, caps, shorts, hosiery	40
	Orange Crush Ltd.	Aerated waters	10
	Spencer Bros. & Turner	Woodworking	20
	Halliday Craftsmen	Woodworking	20
	Brookfield Creamery	Butter, I. Cream, Soft Drinks	10
	H. A. Johnson	Castings & Machine work	5
Wedgeport	Farming & fishing		
Westville	Intercolonial Coal Co.	(working 1 or 2 ds. wk.)	500
Windsor	Nova Scotia Textiles	Wool and silk underwear.	150
	Colonial Fertilizer Co.	Fertilizers	50
	Windsor Plaster Co.	Wall plaster selenite	12
	Eastern Lime Co.	Lime	6
	Windsor Supply Co.—Expect to operate very near future.		

Town or City	Factories now operating	Products manufactured	Av. work force.
Wolfville	3 Apple Packing Warehouses		15-20
	Wright & Baltzer Woodworking		8-10
	Dehydration Plant		25
Yarmouth	Cosmos Cotton Co.	Cotton duck (part time)	275
	Yarmouth Woodworkers	Lumber, bldrs. supplies	6
	W. G. Utley & Co.	Machinery Engines	6
	M. C. Hemeon	" "	6
	Cedar Lake Lumber	Lumber bldrs. supplies	5
	T. P. DeWolfe & Co.	Candy	
	R. H. Davis & Co.	Blank books, paper boxes	10
	H. S. Cook & Co.	Stoves, castings	5

NUMBER 4

MANUFACTURING STATISTICS OF THE MARITIME PROVINCES 1931. Principal Statistics of the Manufacturing Establishments in Nova Scotia, 1931

Name of Industry	Estab-lish-ments	Capital Invested	Employees on Salaries		Employees on Wages		Cost of Materials	Value of Products	
			No.	\$	No.	\$		Gross	Net
Vegetable products.....	No.		No.	\$	No.	\$	\$	\$	\$
Biscuits, Confectioners,	117	12,408,155	265	682,579	1,084	1,277,264	6,221,891	12,243,619	6,021,728
cocoa, chocolate, etc.	10	4,816,529	161	395,109	328	526,971	931,672	2,651,868	1,720,196
Bread and other bakery products.....	73	965,702	35	62,553	289	284,655	732,962	1,626,623	893,661
Flour and feed mills...	16	227,819	10	5,761	17	15,370	299,428	426,403	126,975
Fruit & vegetable pre-parations.....	10	389,033	7	10,700	52	39,456	103,858	195,256	91,398
All other industries....	8	6,009,072	52	158,456	362	410,812	4,153,971	7,343,469	3,189,498
Animal Products.....	256	5,148,836	239	386,894	1,506	1,117,116	6,113,357	9,254,463	3,141,106
Butter and cheese.....	30	1,266,472	85	137,631	198	204,663	1,776,886	2,714,244	937,358
Fish curing & packing	207	3,419,681	135	215,627	1,220	826,834	3,878,869	5,901,891	2,023,022
Harness and saddlery..	8	31,640	2	1,350	8	6,329	7,021	21,100	14,079
Slaughtering and meat packing.....	4	114,855	7	11,066	24	24,634	137,394	157,583	20,189
All other industries....	7	316,188	10	21,220	56	54,656	313,187	459,645	146,458
Textiles and Textile Products.....	52	6,252,727	99	267,132	630	987,308	1,609,428	4,047,232	2,437,804
Awings, tents and sails	4	8,597	4	4,025	6	3,754	15,566	27,185	11,619
Dyeing, cleaning and laundry work.....	26	906,804	35	75,856	141	267,930	62,868	717,200	654,332
Hosiery and knitted goods.....	3	2,093,249	23	90,140	198	371,660	842,961	1,656,385	813,424
Oiled and Waterproof clothing.....	5	85,059	4	6,776	9	13,492	43,732	66,638	22,906
Woollen yarn.....	3	16,676	2	1,500	3	2,420	3,842	10,638	6,796
All other industries....	11	3,142,342	31	88,835	273	328,052	640,459	1,569,186	928,727

MANUFACTURING STATISTICS OF THE MARITIME PROVINCES, 1931, Cont'd.
Principal Statistics of the Manufacturing Establishments in Nova Scotia, 1931

Name of Industry	Estab- lish- ments	Capital Invested	Employees on Salaries		Employees on Wages		Cost of Materials	Value of Products	
			No.	Male	No.	Female		Gross	Net
		\$	No.		No.		\$	\$	\$
Wood & paper products	822	22 642,380	815	134	3,158	277	4,875,348	12,486,139	7 610 791
Boats and Canoes.....	18	138,380	23	....	56	....	34,874	103,312	68 438
Boxes, wooden.....	12	722,213	19	2	144	....	139,332	301,378	162 046
Carriages wagons and sleighs.....	18	55,708	19	0	8	1	10,307	40,114	29 807
Cooperage.....	22	164,813	21	1	51	1	152,059	256,413	104 354
Furniture.....	5	133,134	6	....	63	2	14,923	78,261	63 338
Planing Mills sash and door facts.....	28	1,501,263	37	9	254	1	327,349	715,846	388,497
Printing & bookbinding	26	398 996	33	7	85	28	90,298	339,221	248,923
Printing & publishing...	32	2,283,645	209	77	297	104	444,072	2,054,950	1,691,271
Pulp and paper.....	6	12,796,553	68	9	533	....	363,679	4 777,752	2,885,477
Sawmills.....	635	2,557,552	331	8	1,284	17	1,892,275	2,460,753	1,238,135
All other industries.....	20	1,900,123	49	21	383	123	1,222,618	1,358,139	730,505
Iron and its products.	33	31,304,791	181	35	2,997	28	7,040,719	15,171,436	8,130,717
Boilers, tanks and en- gines.....	4	1,233,170	23	4	129	....	341,214	559,857	218,643
Castings and forgings...	15	2,459,714	47	18	452	1	453,741	1,435,299	981,558
Hardware and tools....	3	1,151,817	8	5	79	11	59,938	329,800	269,862
Primary iron and steel	6	18,430,500	68	6	1,762	13	3,427,289	8,215,412	4,788,123
Railway Rolling stock	3	6,303,482	33	2	370	3	2,696,572	3,889,486	1,192,914
All other industries.....	2	1,726,108	2	....	205	....	61,965	741,582	679,617
Non-ferrous metal pro- ducts.	4	141,082	6	2	22	1	11,383	29,974	18,591

MANUFACTURING STATISTICS OF THE MARITIME PROVINCES, 1931, Concl'd.

Principal Statistics of the Manufacturing Establishments in Nova Scotia, 1931

Estab-lish-ments	Name of Industry	Capital Invested		Employees on Salaries		Employees on Wages		Cost of Materials		Value of Products		
		No.	\$	Male	Female	Male	Female	No.	\$	Gross	Net	
Non-ferrous metal products Concl'd.												
4	All other industries.....	4	151,082	6	2	13,446	22	1	27,597	11,383	29,974	18,591
on-metallic mineral products.....												
58	Aerated and mineral waters.....	107	17,506,774	20	246,378	938	8	1,091,345	5,957,864	9,938,765	3,980,901	
30	Clay products from do-	14	523,574	4	22,558	84	7	70,060	105,522	367,942	262,420	
6	mestic clay.....	9	1,008,204	3	27,837	148	....	120,608	....	467,126	467,126
3	Lime.....	1	51,424	....	800	40	....	31,379	....	79,418	79,418
11	Stone, monumental & ornamental.....	5	269,365	....	8,760	83	....	82,742	74,498	316,954	242,456
8	All other industries.....	78	16,654,207	13	186,423	633	1	786,556	5,777,844	8,707,325	2,929,481	
Chemicals & Chemical products.....												
11	Fertilizers.....	44	2,509,349	18	97,302	159	7	154,801	1,008,994	1,949,643	940,649	
3	All other industries.....	13	1,050,654	4	24,371	71	....	55,885	596,671	761,890	165,219
8		31	1,458,695	14	72,931	88	7	98,916	412,323	1,187,753	775,430	
Miscellaneous industries.....												
17	Shipbuilding & repairs	47	3,572,121	8	99,480	529	10	574,069	449,266	1,604,074	1,154,808	
11	All other industries.....	37	3,447,758	5	84,000	485	1	534,273	365,731	1,437,777	1,072,046	
6		10	124,363	3	15,480	44	9	39,796	83,535	166,297	82,762	
79	Central Electric Sta's.....	209	28,328,512	85	398,377	492	....	603,734	....	3,954,158	3,954,158
1,449	TOTAL.....	2,012	129,824,727	491	3,656,169	11,529	2,143	11,225,504	332,88,250	70,679,503	37,39,1253	

APPENDIX B.

THE TRADING POSITION OF NOVA SCOTIA (1932).

- (1) Traffic returns of Canadian National and Dominion Atlantic Railway.
- (2) Traffic returns of steamship companies engaged in inter-provincial trade.
- (3) Consolidated railway and steamship traffic returns on inter-provincial trade.
- (4) Express returns.
- (5) Customs returns of imports and exports.
- (6) Estimated balance of trade in agricultural and livestock products.

NUMBER 1.

CANADIAN NATIONAL AND DOMINION ATLANTIC RAILWAYS

Tonnage Statement—Products as Listed RECEIVED into Province of Nova Scotia for Calendar Year 1932

MANUFACTURED PRODUCTS AND MISCELLANEOUS												
TO Points in Nova Scotia		From:	TONS (2000 lbs.) (See Note 1)									
			New Brunswick Tons	Lbs.	Prince Edward Island Tons	Lbs.	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Fort William Tons	Lbs.	Nova Scotia only Import (See Note 2) Tons	Lbs.
Petroleum Products—												
	Gasoline	1,366	1000			1,716	1780			7,771	1445	
	Kerosene	208	750			100	1888			17	1000	
	Oils etc.	700	1096	7	500	3,670	1111	110		605	1543	
	Sugar	4,436	156			31	110			90	940	
Iron & Steel Products—												
	Machinery & Boilers	1,418	1268	20	1110	1,601	1468	5	1630	577	1153	
	Castings	161	89		410	324	1344			607	1799	
	Other Iron & Steel Products	6,406	534	143	1383	9,390	1868	4		2 440	1237	
Canned Goods—												
	Apples	1	830			4	770					
	Other Fruits	82	1610	3	1500	1,175	1190			7	772	
	Other Canned Goods	632	1434	179	1910	6,289	575	225		154	789	
Textiles—												
	Underwear	4	438			76	1682				100	
	Cloth	16	180			46	1740			1	1264	
	Hosiery	4	811			64	1808				1287	
	Shirts	1	1150			51	674					

CANADIAN NATIONAL AND DOMINION ATLANTIC RAILWAYS

Tonnage Statement—Products as Listed RECEIVED into Province of Nova Scotia for Calendar Year 1932

MANUFACTURED PRODUCTS AND MISCELLANEOUS

TO Points in Nova Scotia	From:	TONS (2000 lbs.) (See Note 1)							
		New Brunswick Tons	Lbs.	Prince Edward Island Tons	Lbs.	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Fort William Tons	Lbs.
								Nova Scotia only Import (See Note 2) Tons	Lbs.
Hats and Caps		1	280			21	1031		317
Dry Goods & Cotton Piece Goods		362	1896	4	457	1,558	901		872
Beverages—									
Aerated Waters		1 131	1500	13	1030				
Syrups		12	910	20		188	320		1 1200
Cider						51	1955		1665
Wines and Beer		31	220						
Alcoholic Liquors						2,560	1926		20
Vinegar		143	1125			520			
Newsprint Paper		282	888			118	1920		
Woodpulp (ground)			1210			247	1531		
Paper Boxes		112	70			370	979		13 30
Other Paper Products		2,669	249			5,319	1558		63 1956
Fish—									
Frozen		220	340					30	
Fresh			570						
Cured		249	380	107	480	205	1795		7 1350
Lobsters			40		555				14 1000

CANADIAN NATIONAL AND DOMINION ATLANTIC RAILWAYS

Tonnage Statement—Products as Listed RECEIVED into Province of Nova Scotia for Calendar Year 1932

MANUFACTURED PRODUCTS AND MISCELLANEOUS											
TONS (2000 lbs.) (See Note 1)											
TO Points in Nova Scotia	From:	New Brunswick Tons	Lbs.	Prince Edward Island Tons	Lbs.	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Fort William Tons	Lbs.	Nova Scotia only Import (See Note 2) Tons	Lbs.
	Clams	2	1078		110				215		
	Oysters	10	716	3	1880					1	266
	Building Supplies—	85	1085			246	232				
	Board (Wall—Plasterboard— Chip etc.)	336	1793			1048	1953			6	620
	Cement	41	1810			1,978	480			48	
	Lime	1,034	650			1,785	350			6	249
	Plaster	478	575			231	1065				
	Brick	895	1760			312	460			24	1000
	Stone	2,604	530	129	1000	156	500		376	111	
	Sewer Pipe & Drain Tile	78	1337			67	1040				
	Building Woodwork	471	1190			1,203	1375			3	
	Agricultural Instruments	59	260	8	1610	614	1873			18	870
	Autos, Trucks, Parts, Etc.	170	1141		700	5,104	1240			30	1831
	Furniture	213	1752	21	1320	1,927	604	12	1890	29	932
	Fertilizers	253	580	35		2,370	245			637	900
	Miscellaneous	12,721	1575	804	1543	36,316	190	308	1264	13,502	724

1—NOTE—When weight cannot be expressed in Tons, number of Pounds is stated.

2—Under Column headed Import, tonnage received from all British Possessions outside Canada and all Foreign Countries is stated.

CANADIAN NATIONAL AND DOMINION ATLANTIC RAILWAYS

Tonnage Statement—Products as Listed RECEIVED into Province of Nova Scotia for Calendar Year 1932

TO Points in Nova Scotia		AGRICULTURAL PRODUCTS									
From:		TONS(2000 lbs.) (See Note 1.)									
		New Brunswick Tons	Lbs.	Prince Edward Island Tons	Lbs.	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Fort William Tons	Lbs.	Nova Scotia only Import (See Note 2) Tons	Lbs.
Wheat		148	1700	2	223	713	550	78			1612
Corn		795				259	980			6 482	1000
Oats		326	1540	2 750	1470	5 033	835	1 248	885	28	500
Barley		50	330	19	1610	244	1290	134	130		
Other Grains		60	490	28		1 581	1780	175		33	148
Flour		1,874	1685	28		45,939	1558	2,620	1929	91	696
Other Grain Products		5,781	421		1260	30,067	149	2,517	1580	389	1496
Hay & Straw		6,792	480	464		123	40				
Apples—											
Fresh		140	1060			1	.....	78		20	381
Evaporated		2	570								
Other Fruits—											
Fresh		523	720			604	360	1,417		2,317	1792
Potatoes		2,425	650	15,168	575	163	480	12		1	
Other Vegetables—											
Fresh		104	665	240		1,730	1160	12		589	1527
Other Agricultural Products		56	1060		1290	2,056	1348			108	461

CANADIAN NATIONAL AND DOMINION ATLANTIC RAILWAYS

Tonnage Statement—Products as Listed RECEIVED into Province of Nova Scotia for Calendar Year 1932


TO Points in Nova Scotia		LIVE STOCK AND ANIMAL PRODUCTS									
From:		TONS (2000 lbs.) (See Note 1) †									
		New Brunswick Tons	Lbs.	Prince Edward Island Tons	Lbs.	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Fort William Tons	Lbs.	Nova Scotia only Import (See Note 2) Tons	Lbs.
Horses		41		50		117		765	280		
Cattle		45	1000	126	1000	69	500				
Sheep				27							
Hogs		20	1299	31	340			53			
Dressed Meats—											
Fresh		322	870	613	1256	9,281	1670	332		15	645
Cured		254	978	127	1320	1,694	1593	63	71	138	1995
Salted		64	500	91	30	570	1680	100		10	
Other Packing House Products		1,070	270	255	203	3,913	431	38			
Poultry		87	1010	228	1067	74		27			
Eggs		46	645	979	1270	50	1320	30			
Butter		445	704	566	270	620	1480	133	740		
Cheese		44	232	44	1960	393	118				
Wool		3	377	2	1770	467	58			6	
Hides		27	1296	105	1978	1	534				
Leather		4	506			70	1057		120		219

1—NOTE—When weight cannot be expressed in Tons, number of Pounds is stated.

2—NOTE—Under Column headed Import, tonnage received from all British Possessions outside Canada and all Foreign Countries is stated.

CANADIAN NATIONAL AND DOMINION ATLANTIC RAILWAYS

Tonnage Statement—Products as Listed RECEIVED into Province of Nova Scotia for Calendar Year 1932

MINE PRODUCTS												
TO Points in Nova Scotia		From:	TONS (2000 lbs.) (See Note 1)									
			New Brunswick Tons	Lbs.	Prince Edward Island Tons	Lbs.	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Fort William Tons	Lbs.	Nova Scotia only Import (See Note 2) Tons	Lbs.
Coal—												
Anthracite											4,524	1270
Bituminous			40	840							9,387	1586
Foreign											36	
Domestic												
Coke—												
Foreign				1500			66				1,432	13
Domestic							918	1000				
Salt			254	755			1,385	1319			58	
Gypsum			3	1760			22					
Other Mine Products			85	890	40		234	530	30		500	302
FOREST PRODUCTS												
Logs, Posts & Piling			668	600			223	1300	21			
Box Shooks & Cooperage Stock			858	1280		750	333	20			202	830
Laths			136									
Shingles			2,502	100			1,179	1100	201		22	
Ties			1,134	700								230
Lumber			6,598	1120		150	861	1200	1 581	960	254	440
Pulpwood												
Other Forest Products			411	850		260	348	1499			5	1712

1—NOTE—When weight cannot be expressed in Tons, number of Pounds is stated.

2—NOTE—Under Column headed Import, tonnage received from all British Possessions outside Canada and all Foreign Countries is stated.

CANADIAN NATIONAL AND DOMINION ATLANTIC RAILWAYS

Tonnage Statement—Products as Listed SHIPPED from Province of Nova Scotia for Calendar Year 1932

From Points in Nova Scotia		MANUFACTURED PRODUCTS AND MISCELLANEOUS									
To:		TONS 2000 lbs. (See Note 1)									
		New Brunswick Tons	Lbs.	Prince Edward Island Tons	Lbs.	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Fort William Tons	Lbs.	Export (See Note 2) Tons	Lbs.
Petroleum Products—											
	Gasoline	2,334	1300	884		1,354				1	1850
	Kerosene	1,140		576		292					
	Oils etc.	4,793	1195	640	1000	473	1573	1	1380	36	
	Sugar	6,268	1070	1 002		12,464		718			
Iron & Steel Products—											
	Machinery & Boilers	1,168	230	125	1810	2,764	315	163	1370	2	1010
	Castings	540	505	30	685	57	280	2		40	
	Other Iron & Steel Products	13,666	1125	555	1625	18,214	225	107	620	44	1588
Canned Goods—											
	Apples	58	1125		800	69	1500	45	1780	544	80
	Other Fruits	12	570		990	52	1880	15	1800	19	958
	Other Canned Goods	365	460	125	1175	813	368	71	600	473	742
Textiles—											
	Underwear	23	1114	3	1290	97	1146	207	1826		450
	Cloth	2		1		53	540	1	90		
	Hosiery	2	70	1		4	1082	7	1570		

CANADIAN NATIONAL AND DOMINION ATLANTIC RAILWAYS

Tonnage Statement—Products as Listed SHIPPED from Province of Nova Scotia for Calendar Year 1932

MANUFACTURED PRODUCTS AND MISCELLANEOUS												
FROM Points in Nova Scotia		To:	TONS (2000 lbs.) (See Note 1)									
			New Brunswick Tons	Lbs.	Prince Edward Island Tons	Lbs.	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Port William Tons	Lbs.	Export (See Note 2) Tons	Lbs.
Shirts			1	460			2	650	4	830		
Hats and Caps				1745				705	1	525		
Dry Goods & Cotton Piece Goods			106	1168	14	1780	626	70	72	1030	280	1100
Beverages—				1650								
Aerated Waters			30	1330	130		2				1	
Syrups				1555		500	34	260				
Cider			27	1670	46	870	27	790	2	730	433	1310
Wines and Beer			4		24	1000	6					
Alcoholic Liquors							2					
Vinegar			37	1500	15	1880	290	100				
Newsprint Paper			7				16	980			2,953	
Woodpulp (ground)												
Paper Boxes			125		16		6	200	2			
Other Paper Products			122	118	22		263	450	1	40		430
Fish—												
Frozen			65	282		1150	998	978	267	755	955	364
Fresh			8	745		1000	7,124	2943	19		122	250
Cured			150	42	92	756	984	900	744	1428	9,688	1993

CANADIAN NATIONAL AND DOMINION ATLANTIC RAILWAYS

Tonnage Statement—Products as Listed SHIPPED from Province of Nova Scotia for Calendar Year 1932

FROM Points in Nova Scotia	To:	MANUFACTURED PRODUCTS AND MISCELLANEOUS TONS (2000 lbs.) (See Note 1)									
		New Brunswick Tons	Lbs.	Prince Edward Island Tons	Lbs.	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Fort William Tons	Lbs.	Export (See Note 2) Tons	Lbs.
	Lobsters	1	1000		1400	35	520		765	395	20
	Clams		560			3	880			1	80
	Oysters	1				26	1200		160		300
	Building Supplies—										
	Board (Wall—Plasterboard— Chip, etc.)	2								90	
	Cement	9,337	635	1,665		1					
	Lime	3	1000			202	800				
	Plaster	156	160	83	400	2,362	380	305	420	302	1000
	Brick	560	560	1,389	70			1		155	
	Stone	2,291		3	530	1,832					
	Sewer Pipe & Drain Tile	1,607		660		1,912		171			
	Building Woodwork	29	550	70	1500						
	Agricultural Instruments	3	435				1680				
	Autos—Trucks, Parts, Etc.	58	1443	2	1000	30	1310				250
	Furniture	171	1930	58	1530	59	852	35	1610	123	800
	Fertilizers	8,615	1188	2,903	1822	47	760	36	1230	123	415
	Miscellaneous	6,764	515	1,768	1340	6,210	167	1,169	28	2,155	1937

1—NOTE—When weight cannot be expressed in Tons, number of Pounds is stated.

2—NOTE—Under Column headed Export, tonnage destined to all British Possessions outside Canada and all Foreign Countries is stated.

CANADIAN NATIONAL AND DOMINION ATLANTIC RAILWAYS

Tonnage Statement—Products as Listed SHIPPED from Province of Nova Scotia for Calendar Year 1932

FROM Points in Nova Scotia		To:	AGRICULTURAL PRODUCTS								
			TONS (2000 lbs.) (See Note 1)								
		New Brunswick Tons	Lbs.	Prince Edward Island Tons	Lbs.	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Fort William Tons	Lbs.	Export (See Note 2) Tons	Lbs.
Wheat			1184								
Corn			518								
Oats											
Barley			312								
Other Grains											
Flour		100				8	850				
Other Grain Products		432	860	473							
Hay & Straw		31	500			64				81	
Apples—											
Fresh		860	635	17	977	703	1778	15	1975	45,333	620
Evaporated		80	1857	2	1460	191	1514	227	984	122	870
Other Fruits—											
Fresh		23	620		270	225	1495	13	700	100	290
Potatoes		31	1020				360			5,012	1638
Other Vegetables—											
Fresh		113	1325	23	310	328	1790	15	100	543	855
Other Agricultural Products		1	340			162	1480				

CANADIAN NATIONAL AND DOMINION ATLANTIC RAILWAYS

Tonnage Statement—Products as Listed SHIPPED from Province of Nova Scotia for Calendar Year 1932

FROM Points in Nova Scotia		To:	LIVE STOCK AND ANIMAL PRODUCTS									
			TONS (2000 lbs.) (See Note 1)									
			New Brunswick Tons	Lbs.	Prince Edward Island Tons	Lbs.	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Port William Tons	Lbs.	Export (See Note 2) Tons	Lbs.
Horses		31	1500	92		14						
Cattle		297	1000	16	1000	99	1100			157	500	
Sheep		117				11						
Hogs		28										
Dressed Meats—												
Fresh		6	50	4		6	20	1		4		
Cured		2	50				340			8		
Salted		5								14		
Other Packing House Products		80	40	1	1500	19	80			2		
Poultry		3	1870	3								
Eggs		7	1580								290	
Butter		28	670			10	90				300	
Cheese			1000			18	100					
Wool		67	694			32	1528					
Hides		89	1160	2	1660	188	821			65	1430	
Leather			1010	1			1990					

1—NOTE—When weight cannot be expressed in Tons number of Pounds is stated.

2—NOTE—Under Column headed Export, tonnage destined to all British Possessions outside Canada and all Foreign Countries is stated.

CANADIAN NATIONAL AND DOMINION ATLANTIC RAILWAYS

Tonnage Statement—Products as Listed SHIPPED from Province of Nova Scotia for Calendar Year 1932

MINE PRODUCTS												
FROM Points in Nova Scotia		To:	TONS (2000 lbs.) (See Note 1)									
			New Brunswick Tons	Lbs.	Prince Edward Island Tons	Lbs.	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Fort William Tons	Lbs.	Export (See Note 2) Tons	Lbs.
Coal—												
Anthracite			706		120							
Bituminous			465,916		89,160		100,281				3,222	
Foreign			40		30							
Domestic												
Coke—												
Foreign			113		45							
Domestic			4,554		1,516		11,700					
Salt			4,536	500	224		14,090		2,199		1,225	
Gypsum												
Other Mine Products			895	1000	21		239	360			1,389	1730
FOREST PRODUCTS												
Logs, Posts & Piling			10		24		41					
Box Shooks & Cooperage Stock			484		539	810	1,431	1200	23		1,093	1060
Laths					55						90	
Shingles			3		2							
Ties			30									
Lumber			2,534	410	1,697	500	1,776	1700			46,713	1704
Pulpwood												
Other Forest Products			118	1927	3	1780	765	1105	2	760	2,933	250

1—NOTE—When weight cannot be expressed in Tons, number of Pounds is stated.

2—NOTE—Under Column headed Export tonnage destined to all British Possessions outside Canada and all Foreign Countries is stated.

NUMBER 2.

STEAMSHIP TRAFFIC MOVEMENTS (Interprovincial)

Tonnage Statement—Products as Listed RECEIVED into Province of Nova Scotia for Calendar Year 1932

TO Points in Nova Scotia		MANUFACTURED PRODUCTS AND MISCELLANEOUS TONS 2000 lbs. (See Note 1)							
From:		New Brunswick Tons	Lbs.	Prince Edward Island Tons	Lbs.	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Port William Tons	Lbs.
Petroleum Products—									
	Gasoline	2,533	880						
	Kerosene	819	1680						
	Oils, etc.	3,601	1840			292	640		
	Sugar	4,111	1040			33	1200		
Iron & Steel Products									
	Machinery & Boilers					20	800		
	Castings	367	720			17	1840		
	Other Iron & Steel Products	756				23	1040		
Canned Goods—									
	Apples								
	Other Fruits					286	1440		
	Other Canned Goods	4,900				845	1200		
Textiles—									
	Underwear								
	Cloth								
	Hosiery								
	Shirts								
	Hats and Caps								

STEAMSHIP TRAFFIC MOVEMENTS (Interprovincial)
Tonnage Statement—Products as Listed RECEIVED into Province of Nova Scotia for Calendar Year 1932

		MANUFACTURED PRODUCTS AND MISCELLANEOUS						
TO Points in Nova Scotia	From:	TONS 2000 lbs.						
		New Brunswick Tons	Lbs.	Prince Edward Island Tons	Lbs.	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Fort William Tons
	Dry Goods & Cotton Piece Goods	71	1360					
	Beverages—							
	Aerated Waters	7	1680			2	480	
	Syrups							
	Cider							
	Wines and Beer							
	Alcoholic Liquors					5	1200	
	Vinegar							
	Newsprint Paper							
	Woodpulp (ground)							
	Paper Boxes							
	Other Paper Products					56		
	Fish—							
	Frozen	13	880					
	Fresh							
	Cured							
	Lobsters							

(See Note I)

STEAMSHIP TRAFFIC MOVEMENTS (Interprovincial)

Tonnage Statement—Products as Listed RECEIVED into Province of Nova Scotia for Calendar Year 1932

TO Points in Nova Scotia		MANUFACTURED PRODUCTS AND MISCELLANEOUS TONS 2000 lbs. (See Note 1)							
From:	New Brunswick Tons	Lbs.	Prince Edward Island Tons	Lbs.	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Fort William Tons	Lbs.	
Clams									
Oysters					12	640			
Building Supplies—									
Board (Wall—Plasterboard— Chip, etc.)	8	1920							
Cement	6	1440			35,953	240			
Lime	69	880							
Plaster									
Brick	72	1600							
Stone									
Sewer Pipe & Drain Tile	2	480			28				
Building Woodwork	44	1600							
Agricultural Instruments	3	720							
Autos—Trucks, Parts, Etc.	67	400			6	1440			
Furniture	10	160			11	400			
Fertilizers	100	1600			1	240			
Miscellaneous					125	880			

1—NOTE—When weight cannot be expressed in Tons, number of Pounds is stated.

STEAMSHIP TRAFFIC MOVEMENTS (Interprovincial)

Tonnage Statement—Products as Listed RECEIVED into Province of Nova Scotia for Calendar Year 1932

TO Points in Nova Scotia	From:	AGRICULTURAL PRODUCTS							
		New Brunswick Tons	Lbs.	Prince Edward Island Tons	Lbs.	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Fort William Tons	Lbs.
Wheat		297	1840						
Corn		7,006	1440						
Oats		843	760			30	480		
Barley		483	1680						
Other Grains		756				229	1200		
Flour		4,885	880			14,645	240		
Other Grain Products						11,924	1280		
Hay & Straw		5	1200						
Apples—									
Fresh									
Evaporated									
Other Fruits—									
Dried						63	1680		
Fresh		118	1440						
Potatoes		10	160			2	480		
Other Vegetables—		91	1680						
Fresh				3	720	633	1840		
Other Agricultural Products									

TONS (2000 lbs.)
(See Note 1)

STEAMSHIP TRAFFIC MOVEMENTS (Interprovincial)
Tonnage Statement—Products as Listed RECEIVED into Province of Nova Scotia for Calendar Year 1932

TO Points in Nova Scotia	From:	LIVE STOCK AND ANIMAL PRODUCTS							
		New Brunswick Tons	Lbs.	Prince Edward Island Tons	Lbs.	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Fort William Tons	Lbs.
Horses									Lbs.
Cattle									
Sheep									
Hogs									
Dressed Meats—									
Fresh		40	640						
Cured		81	1520						
Salted		67	400			42	1120		
Other Packing House Products						29	960		
Poultry									
Eggs				1	240				
Butter									
Cheese		1	240			7	1680		
Wool									
Hides									
Leather		1	240						

1—NOTE—When weight cannot be expressed in Tons, number of Pounds is stated.

STEAMSHIP TRAFFIC MOVEMENTS (Interprovincial)
Tonnage Statement—Products as Listed RECEIVED into Province of Nova Scotia for Calendar
Year 1932

TO Points in Nova Scotia	From:	MINE PRODUCTS (TONS 2000 lbs.) (See Note 1)							
		New Brunswick Tons	Lbs.	Prince Edward Island Tons	Lbs.	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Fort William Tons	Lbs.
Coal—									
Anthracite		533	240						
Bituminous—		87	720						
Foreign									
Domestic									
Coke—									
Foreign									
Domestic									
Salt		294	1120			564	960		
Gypsum									
Other Mine Products						11	240		
FOREST PRODUCTS									
Logs, Posts & Piling									
Box Shooks & Cooperage Stock									
Laths		5	1200						
Shingles									
Ties									
Lumber		8	1920						
Pulpwood									
Other Forest Products									

1—NOTE—When weight cannot be expressed in Tons, number of Pounds is stated.

STEAMSHIP TRAFFIC MOVEMENTS (Interprovincial)
Tonnage Statement—Products as Listed SHIPPED from Province of Nova Scotia for Calendar
Year 1932

		MANUFACTURED PRODUCTS AND MISCELLANEOUS						
FROM Points in Nova Scotia	To:	TONS (2000 lbs.)						
		New Brunswick Tons	Lbs.	Prince Edward Island Tons	Lbs.	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Fort William Tons
Hats and Caps								
Dry Goods & Cotton Piece Goods								
Beverages—								
Aerated Waters								
Syrups								
Cider								
Wines and Beer								
Alcoholic Liquors								
Vinegar		36	1920			26	1760	
Newsprint Paper								
Woodpulp (ground)								
Paper Boxes								
Other Paper Products								
Fish—								
Frozen		62	1440					
Fresh		80	1280					
Cured		176	1920			201	1200	
Lobsters		4	960			22	800	

MANUFACTURED PRODUCTS AND MISCELLANEOUS

TONS (2000 lbs.)
(See Note 1)

STEAMSHIP TRAFFIC MOVEMENTS (Interprovincial)
Tonnage Statement—Products as Listed SHIPPED from Province of Nova Scotia for Calendar Year 1932

FROM Points in Nova Scotia	To:	MANUFACTURED PRODUCTS AND MISCELLANEOUS TONS (2000 lbs.) (See Note 1)							
		New Brunswick Tons	Lbs.	Prince Edward Island Tons	Lbs.	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Fort William Tons	Lbs.
Clams		3	720			5	1200		
Oysters									
Building Supplies									
Board (Wall—Plasterboard— Chip, etc.)									
Cement		9,879	1040	1,307	80				
Lime									
Plaster		403	400						
Brick									
Stone						3	720		
Sewer Pipe & Drain Tile									
Building Woodwork									
Agricultural Instruments									
Autos, Trucks, Parts, Etc.						1	240		
Furniture		12	640						
Fertilizers		1,904		3	720				
Miscellaneous		1,479	1040			210	1120		

1—NOTE—when weight cannot be expressed in Tons, number of Pounds is stated.

STEAMSHIP TRAFFIC MOVEMENTS (Interprovincial)
Tonnage Statement—Products as Listed SHIPPED from Province of Nova Scotia for Calendar Year 1932

FROM Points in Nova Scotia	To:	LIVE STOCK AND ANIMAL PRODUCTS						
		New Brunswick Tons	Lbs.	Prince Edward Island Tons	Lbs.	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Fort William Tons
Horses							Lbs.	
Cattle								
Sheep		2	1600					
Hogs		10	160					
Dressed Meats—								
Fresh								
Cured								
Salted								
Other Packing House Products								
Poultry		22	800					
Eggs		16	1600					
Butter		100	1600					
Cheese								
Wool		60	960					
Hides		52	1280					
Leather								

1—NOTE.—When weight cannot be expressed in Tons, number of Pounds is stated.

STEAMSHIP TRAFFIC MOVEMENTS (Interprovincial)

Tonnage Statement—Products as Listed SHIPPED from Province of Nova Scotia for Calendar Year 1932

FROM Points in Nova Scotia	To:	MINE PRODUCTS							
		New Brunswick Tons	Lbs.	Prince Edward Island Tons	Lbs.	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Fort William Tons	Lbs.
Coal—									
Anthracite									
Bituminous—		73,242	800			1,548,056	320		
Foreign									
Domestic									
Coke—									
Foreign									
Domestic		765	1600						
Salt									
Gypsum						45,199	1680		
Other Mine Products									
FOREST PRODUCTS									
Logs, Posts & Piling									
Box Shooks & Cooperage Stock		403	400						
Laths									
Shingles									
Ties									
Lumber		3,169	1200						
Pulpwood									
Other Forest Products									

1—NOTE—When weight cannot be expressed in Tons, number of Pounds is stated.

NUMBER 3.

CONSOLIDATED STEAMSHIP AND RAIL TRAFFIC MOVEMENTS

Tonnage Statement—Products as Listed RECEIVED into Province of Nova Scotia for Calendar Year 1932

243

MANUFACTURED PRODUCTS AND MISCELLANEOUS																
TO Points in Nova Scotia		From:	TONS 2000 lbs. (See Note 1)													
			Steamship and Rail						Rail only							
			New Brunswick Tons	Lbs.	Prince Edward Island Tons	Lbs.	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Fort William Tons	Lbs.	Import Nova Scotia only (See Note 2) Tons	Lbs.				
Petroleum Products—																
Gasoline			3,899	1880				1,716	1780				7,771	1445		
Kerosene			1,027	430				100	1888				17	1000		
Oils etc			4,302	936	7	500	3,962	1751	110				605	1543		
Sugar			8,547	1196				64	1310				90	940		
Iron & Steel Products—																
Machinery & Boilers			1,418	1268	20	1110	1,622	268	5	1630			577	1153		
Castings			528	809		410	342	1184					607	1799		
Other Iron & Steel Products			7,162	534	143	1883	9,414	908	4				2,440	1237		
Canned Goods—																
Apples			1	830			4	770								
Other Fruits			82	1610	3	1500	1,462	630					7	772		
Other Canned Goods			5,532	1434	179	1910	7,134	1775	225				154	789		
Textiles—																
Underwear			4	438			76	1682						100		
Cloth			16	180			46	1740					1	1264		
Hosiery			4	811			64	1808						1287		

CONSOLIDATED STEAMSHIP AND RAIL TRAFFIC MOVEMENTS

Tonnage Statement—Products as Listed RECEIVED into Province of Nova Scotia for Calendar Year 1932

TO Points in Nova Scotia	From:	MANUFACTURED PRODUCTS AND MISCELLANEOUS TONS (See Note 1)									
		Steamship and Rail					Rail only				
		New Brunswick Tons	Lbs.	Prince Edward Island Tons	Lbs.	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Fort William Tons	Lbs.	Import Nova Scotia only (See Note 2) Tons	Lbs.
Shirts		1	1150			51	674				
Hats and Caps		1	280			21	1031				317
Dry Goods & Cotton Piece Goods		434	1256	4	457	1,538	901		800	100	872
Beverages—			1500	13	1030						
Aerated Waters		1,139	1660	20		190	800			1	1200
Syrups		12	910			51	1955			8	1665
Cider											
Wines and Beer		31	220			2,560	1926			20	
Alcoholic Liquors						525	1200				
Vinegar		143	1125			118	1920				
Newsprint Paper		282	888			247	1531				
Woodpulp (ground)			1210								
Paper Boxes		112	70			370	979			13	30
Other Paper Products		2,669	249			5,375	1558			63	1956
Fish—											
Frozen		233	1220						30		
Fresh			570								
Cured		209	380	107	480	205	1795			7	1350

CONSOLIDATED STEAMSHIP AND RAIL TRAFFIC MOVEMENTS

Tonnage Statement—Products as Listed RECEIVED into Province of Nova Scotia for Calendar Year 1932

TO Points in Nova Scotia	From:	MANUFACTURED PRODUCTS AND MISCELLANEOUS TONS (2000 lbs.) (See Note 1)									
		Steamship and Rail					Rail only				
		New Brunswick Tons	Lbs.	Prince Edward Island Tons	Lbs.	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Fort William Tons	Lbs.	Import Nova Scotia only (See Note 2) Tons	Lbs.
Lobsters			40		555					14	1000
Clams		2	1078		110		215				
Oysters		10	716	3	1880	12	640			1	266
Building Supplies—		85	1085			246	282				
Board (Wall—Plasterboard— Chip, etc.)		345	1713			1,048	1953			6	620
Cement		48	1250			37,931	720			48	
Lime		1,103	1530			1,785	850			6	249
Plaster		478	575			231	1065				
Brick		968	1360			312	460			24	1000
Stone		2,604	530	129	1000	156	500		370	111	
Sewer Pipe & Drain Tile		75	1817			95	1040				
Building Woodwork		516	790			1,203	1375			3	
Agricultural Instruments		62	980	8	1610	614	1873			18	870
Autos—Trucks, Parts, Ect.		237	1541		700	5,111	680			30	1831
Furniture		223	1912	21	1520	1,938	1004	12	1890	29	932
Fertilizers		354	180	35		2,371	485			637	900
Miscellaneous		12,721	1575	804	1543	36,441	1070	308	1364	19,202	964

1—NOTE—When weight cannot be expressed in Tons, number of Pounds is stated.

2—NOTE—Under Column headed Import tonnage received from all British Possessions outside Canada and all Foreign Countries is stated.

CONSOLIDATED STEAMSHIP AND RAIL TRAFFIC MOVEMENTS

Tonnage Statement—Products as Listed RECEIVED into Province of Nova Scotia for Calendar Year 1932

TO Points in Nova Scotia	From:	AGRICULTURAL PRODUCTS TONS (2000 lbs.) (See Note 1)									
		Steamship and Rail					West of Port Arthur and Fort William Tons			Import Nova Scotia only (See Note 2) Tons	
		New Brunswick Tons	Lbs.	Prince Edward Island Tons	Tons	Ontario and Quebec Tons	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.
Wheat		446	1540	2	223	713	550	78			1612
Corn		7,801	1440			259	980			6,482	1000
Oats		1,170	300	2,750	1470	5,063	1315	1,248	885	28	500
Barley		534	10	19	1610	244	1290	134	130		
Other Grains		816	490	28		1,811	980	175		100	548
Flour		6,260	565	28		60,584	1798	2,620	1929	91	696
Other Grain Products		5,781	421		1260	41,991	1429	2,517	1580	389	1496
Hay & Straw		6,797	1680	464		123	40				
Apples—											
Fresh		140	1060			1		78		20	381
Evaporated		2	570								
Other Fruits—											
Dried						63	1680				
Fresh		642	160			604	360	1,417		2,317	1792
Potatoes		2,435	810	15,168	575	165	960	12		1	
Other Vegetables—		91	1680								
Fresh		104	665	243	720	2,364	1000	12		589	1527
Other Agricultural Products		56	1060		1290	2,056	1348			108	461

CONSOLIDATED STEAMSHIP AND RAIL TRAFFIC MOVEMENTS
Tonnage Statement—Products as Listed RECEIVED into Province of Nova Scotia for Calendar
Year 1932

TO Points in Nova Scotia	From:	LIVE STOCK AND ANIMAL PRODUCTS									
		TONS (2000 tons) (See Note 1)									
		Steamship and Rail					West of Port Arthur and Fort William Tons			Rail only	
		New Brunswick Tons	Lbs.	Prince Edward Island Tons	Tons	Ontario and Quebec Tons	Lbs.			Import Nova Scotia only (See Note 2) Tons	Lbs.
Horses		41		50		117		765	280	2	
Cattle		45	1000	126	1000	69	500				
Sheep				27							
Hogs		20	1299	31	340			53			
Dressed Meats—											
Fresh		362	1510	613	1256	9,281	1670	332		15	645
Cured		336	498	127	1320	1,694	1593	63	71	138	1995
Salted		131	900	91	30	613	800	100		10	
Other Packing House Products		1,070	270	255	203	3,942	1391	38			
Poultry		87	1010	228	1067	74		27			
Eggs		46	645	980	1510	50	1320	30			
Butter		445	705	566	270	620	1480	133	740		
Cheese		45	472	44	1960	400	1798				
Wool		3	377	2	1770	467	58			6	
Hides		27	1296	105	1978	1	534				
Leather		5	746			70	1057		120		219

—NOTE—When weight cannot be expressed in Tons, number of Pounds is stated.

—NOTE—Under Column headed Import tonnage received from all British Possessions outside Canada and all Foreign Countries is stated

CONSOLIDATED STEAMSHIP AND RAIL TRAFFIC MOVEMENTS
Tonnage Statement—Products as Listed RECEIVED into Province of Nova Scotia for Calendar
Year 1932

MINE PRODUCTS TONS (2000 lbs). (See Note 1)											
TO Points in Nova Scotia		From:	Steamship and Rail					Rail only			
			New Brunswick Tons	Lbs.	Prince Edward Island Tons	Lbs.	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Fort William Tons	Import Nova Scotia only (See Note 2) Tons	Lbs.
Coal—											
Anthracite			533	240						4,524	1270
Bituminous—			127	1560						9,387	1586
Foreign										36	
Domestic											
Coke—											
Foreign				1500				66		1,432	13
Domestic								918	1000		
Salt			558	1875				1,950	2279		58
Gypsum			3	1760				22			
Other Mine Products			85	890		40		235	770	30	500
302											
FOREST PRODUCTS											
Logs, Posts & Piling			668	600				223	1300	21	
Box Shooks & Cooperage Stock			858	1280			750	333	20		202
Laths			141	1200							
Shingles			2,502	100				1,179	1100	201	22
Ties			1,134	700							
Lumber			6,607	1040			150	861	1200	1,581	254
Pulpwood											
Other Forest Products			411	850			260	348	1499		5

1—NOTE—When weight cannot be expressed in Tons, number of Pounds is stated.

2—NOTE—Under Column headed Import tonnage received from all British Possessions outside Canada and all Foreign Countries is stated.

CONSOLIDATED STEAMSHIP AND RAIL TRAFFIC MOVEMENTS
Tonnage Statement—Products as Listed SHIPPED from Province of Nova Scotia for Calendar
Year 1932

MANUFACTURED PRODUCTS AND MISCELLANEOUS														
FROM Points in Nova Scotia		To:	TONS (2000 lbs.) (See Note 1)						Rail only					
			Steamship and Rail											
			New Brunswick Tons	Lbs.	Prince Edward Island Tons	Lbs.	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Port William Tons	Lbs.	Export (See Note 2) Tons	Lbs.		
Petroleum Products—														
	Gasoline	2,334	1300	884		1,354					1	1850		
	Kerosene	1,140		576		292								
	Oils, etc.	4,793	1195	640	1000	473	1593	1	1380	36				
	Sugar	6,268	1070	1,002		31,607	80	718						
Iron & Steel Products—														
	Machinery & Boilers	1,168	230	125	1810	2,764	315	168	1370	2	1010			
	Castings	540	505	36	685	57	280	2		40				
	Other Iron & Steel Products	13,666	1125	555	1625	24,092	1825	5,080	220	44	1588			
Canned Goods—														
	Apples	58	1125		800	69	1500	45	1780	544	8			
	Other Fruits	47	10		990	52	1880	15	1800	19	958			
	Other Canned Goods	365	460	125	1175	713	368	71	600	473	742			
Textiles—														
	Underwear	23	1114	3	1290	97	1146	207	1826		450			
	Cloth	2		1		53	540	1	90					
	Hosiery	2	70	1		4	1082	7	1570					
	Shirts	1	460			2	650	4	830					

CONSOLIDATED STEAMSHIP AND RAIL TRAFFIC MOVEMENTS

Tonnage Statement—Products as Listed SHIPPED from Province of Nova Scotia for Calendar Year 1932

FROM Points in Nova Scotia	To:	MANUFACTURED PRODUCTS AND MISCELLANEOUS TONS (2000 lbs.) (See Note 1)									
		Steamship and Rail					Rail only				
		New Brunswick Tons	Lbs.	Prince Edward Island Tons	Tons	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Fort William Tons	Lbs.	Export (See Note 2) Tons	Lbs.
Hats and Caps			1745				705	1	525		
Dry Goods & Cotton Piece Goods		106	1168	14	1780	626	70	72	1030	280	1100
Beverages—			1650								
Aerated Waters		30	1330	130		2				1	
Syrups			1555		500	34	260				
Cider		27	1670	46	870	27	790	2	730	433	1310
Wines and Beer		4		24	1000	6					
Alcoholic Liquors						2					
Vinegar		74	1420	15	1880	316	1860				
Newsprint Paper		7				16	980				
Woodpulp (ground)										2,953	
Paper Boxes		125		16		6	200	2			
Other Paper Products		122	118	22		263	450	1	40		430
Fish—											
Frozen		127	1722		1150	998	978	267	755	955	364
Fresh		89	25		1000	7,125	943	19		122	250
Cured		326	1962	92	756	1,186	100	744	1428	9,688	1993
Lobsters		5	1960		1400	57	1320		765	395	20

CONSOLIDATED STEAMSHIP AND RAIL TRAFFIC MOVEMENTS
Tonnage Statement—Products as Listed SHIPPED from Province of Nova Scotia for Calendar Year 1932

MANUFACTURED PRODUCTS AND MISCELLANEOUS TONS (2000 lbs). (See Note 1)													
FROM Points in Nova Scotia		To:	Steamship and Rail						Rail only				
			New Brunswick Tons	Lbs.	Prince Edward Island Tons	Lbs.	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Fort William Tons	Lbs.	Export (See Note 2) Tons	Lbs.	
Clanis			3	1280				9	80			1	80
Oysters			1					26	1200		160		300
Building Supplies—													
Board (Wall—Plasterboard— Chip, etc.)			2									90	
Cement			19,216	1675	2,972	80	1		800				
Lime			3	1000				202	380				1000
Plaster			559	560	83	400	2,362			305	420	302	
Brick			560	560	1,389	70				1		155	
Stone			2,291		3	530	1,835		720				
Sewer Pipe & Drain Tile			1,607		660		1,912			171			
Building Woodwork			29	550	70	1500							
Agricultural Instruments			3	435					1680				250
Autos—Trucks, Parts, Etc.			58	1443	2	1000	31	1550				123	800
Furniture			184	570	58	1530	59	852		35	1610	123	415
Fertilizers			10,519	1188	2,907	542	47	760		36	1230		1937
Miscellaneous			8,243	1555	1,768	1340	6,420	1287		1,169	28	2,155	

1—NOTE—When weight cannot be expressed in Tons, number of Pounds is stated.

2 NOTE—Under Column headed Export tonnage destined to all British Possessions outside Canada and all Foreign Countries is stated.

CONSOLIDATED STEAMSHIP AND RAIL TRAFFIC MOVEMENTS

Tonnage Statement—Products as Listed SHIPPED from Province of Nova Scotia for Calendar Year 1932

AGRICULTURAL PRODUCTS											
FROM Points in Nova Scotia		TONS (2000 lbs).									
		(See Note 1)									
		Steamship and Rail						Rail only			
To:		New Brunswick Tons	Lbs.	Prince Edward Island Tons	Tons	Ontario and Quebec Tons	Lbs.	West o Port Arthur and Fort William Tons	Lbs.	Export (See Note 2) Tons	Lbs.
Wheat			1184								
Corn			518								
Oats											
Barley			312								
Other Grains											
Flour		100				8	850				
Other Grain Products		432	860	473							
Hay & Straw		31	500			64				81	
Apples—											
Fresh		1,701	1115	17	977	703	1778	15	1975	45,333	620
Evaporated		87	1297	2	1460	191	1514	227	984	122	870
Other Fruits—											
Fresh		52	860		270	225	1495	13	700	100	290
Potatoes		34	1740				360			5,012	1638
Other Vegetables—											
Fresh		115	1805	20	310	328	1790	15	100	543	855
Other Agricultural Products		1	340			162	1480				

CONSOLIDATED STEAMSHIP AND RAIL TRAFFIC MOVEMENTS

Tonnage Statement—Products as Listed SHIPPED from Province of Nova Scotia for Calendar Year 1932

FROM Points in Nova Scotia	From:	LIVE STOCK AND ANIMAL PRODUCTS									
		TONS (2000 lbs.).									
		Steamship and Rail					Rail only				
		New Brunswick Tons	Lbs.	Prince Edward Island Tons	Tons	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Fort William Tons	Lbs.	Export (See Note 2) Tons	Lbs.
Horses		31	1500	92		14				157	500
Cattle		297	1000	16	1000	99	1100				
Sheep		119	1600			11					
Hogs		38	160								
Dressed Meats—											
Fresh		6	50	4		6	20	1		4	
Cured		2	50				340			3	
Salted		5								14	
Other Packing House Products		80	40	1	1500	19	80			2	
Poultry		26	670	3							290
Eggs		24	1130								300
Butter		129	270			10	90				
Cheese			1000			13	1000				
Wool		127	1654			32	1523				
Hides		142	440	2	1660	188	321			65	1430
Leather		3	1010	1			1990				

1—NOTE—When weight cannot be expressed in Tons, number of Pounds is stated.

2—NOTE—Under Column headed Export tonnage destined to all British Possessions outside Canada and all Foreign Countries is stated.

CONSOLIDATED STEAMSHIP AND RAIL TRAFFIC MOVEMENTS
Tonnage Statement—Products as Listed SHIPPED from Province of Nova Scotia for Calendar
Year 1932

FROM Points in Nova Scotia	To:	MINE PRODUCTS TONS (2000 lbs). (See Note 1)									
		Steamship and Rail					Rail only				
		New Brunswick Tons	Lbs.	Prince Edward Island Tons	Lbs.	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Fort William Tons	Lbs.	Export (See Note 2) Tons	Lbs.
Coal—											
Anthracite		706		120							
Bituminous		539,158	800	89,160		1,648,337	320			3,222	
Foreign		40		30							
Domestic											
Coke—											
Foreign		113		45							
Domestic		5,319	1600	1,516		11,700					
Salt		4,536	500	224		14,090		2,199		1,225	
Gypsum											
Other Mine Products		895	1000	21		239	360			1,389	1730
FOREST PRODUCTS											
Logs, Posts & Piling		10		24			41				
Box Shooks & Coopers Stock		887	400	539	810	1,431	1200	23		1,093	1060
Laths				55						90	
Shingles		3		2							
Ties		30									
Lumber		5,703	1610	1,697	500	1,776	1700			46,713	1704
Pulpwood											
Other Forest Products		118	1927	3	1780	765	1105	2	760	2,933	250

1—NOTE—When weight cannot be expressed in Tons, number of Pounds is stated.

2—NOTE—Under Column headed Export tonnage destined to all British Possessions outside Canada and all Foreign Countries is stated.

NUMBER 4.
EXPRESS TRAFFIC MOVEMENTS
From points in Nova Scotia (1932)

FROM Points in Nova Scotia	EXPRESS TRAFFIC MOVEMENTS										To:
	New Brunswick Tons	Lbs.	Prince Edward Island Tons	Tons	Ontario and Quebec Tons	Lbs.	West of Port Arthur and Fort William Tons	Lbs.	Export Tons	Lbs.	
Fish	379	986	49	1957	2,884	1371	15	868	1,007	1739	
Lobsters	4	765			45	1310		150	1,102	119	
Fruits & Vegetables	16	955		1464	154	236		1104	199	147	

NUMBER 5.

STATEMENT OF IMPORTS OF GOODS AS SPECIFIED ENTERED FOR
CONSUMPTION IN THE PROVINCE OF NOVA SCOTIA AND OF
EXPORTS (CANADIAN PRODUCE) THROUGH PORTS IN THAT
PROVINCE, DURING THE FISCAL YEAR ENDED MARCH
31st, 1933.

Item	Imports	Exports
Fruits, nuts and vegetables.....	\$ 1,050,785	\$ 4,230,617
Grain and farinaceous products.....	491,048	3,154,977
Vegetable oil for food.....	3,958	.....
Sugar and products.....	1,673,440	428,237
Tea, coffee, cocoa and spices.....	532,022	6,752
Other vegetable food products.....	4,339	38,788
Total vegetable food products.....	\$ 3,755,592	\$ 7,859,371
Alcoholic beverages.....	289,988	1,223,080
Gums.....	8,898	70
Vegetable oils, not for food.....	32,867	- 244
Plants, trees, shrubs and vines.....	14,547	9,634
Rubber and manufactures.....	16,538	642,421
Seeds.....	14,267	61,735
Tobacco, and manufactures.....	8,234	1,023,996
Vegetable products, other than food.....	19,577	93,162
Total vegetable products other than food.....	\$ 404,916	\$ 3,054,342
Animals, living.....	3,469	124,564
Bone, ivory and shell.....	5,694	422
Feathers and products.....	1,860	.....
Fishery products.....	214,335	4,769,793
Furs, hair, hides and leather.....	15,574	4,346,532
Meats.....	28,096	964,566
Milk and products.....	11,062	596,419
Animal oils, fats, etc.....	12,317	63,886
Other animal products.....	5,246	120,550
Total animal products.....	\$ 297,653	\$10,986,732

Item	Imports	Exports
Cotton and manufactures.....	275,715	291,202
Flax, hemp and jute products.....	136,336	966
Silk and products.....	46,439	105,346
Wool and products.....	88,058	41,001
Artificial silk and products.....	7,674	10,388
Vegetable fibres and products, n. o. p.....	44,528	.....
Mixed textile products.....	244,620	245,526
Total fibres, textiles and products.....	\$ 843,370	\$ 694,429
Wood, unmanufactured, or partially manufactured....	6,992	2,211,360
Wood, manufactured.....	32,760	990,291
Paper and manufactures, n. o. p.....	54,232	4,397,467
Books and printed matter.....	163,123	60,016
Total wood and paper and manufacturers.....	\$ 257,107	\$ 7,659,134
Iron and steel pigs, ingots, billets and scrap.....	121,817	.....
Castings and forgings.....	3,888	4,997
Rolling mill products, n. o. p.....	121,271	6,940
Pipe and tubing.....	22,459	54,507
Wire.....	16,754	22,762
Chains.....	8,578	12,368
Engines and boilers.....	165,734	19,524
Agricultural machinery and implements.....	19,742	23,544
Hardware and cutlery.....	22,282	93,969
Machinery, n. o. p.....	206,158	442,055
Springs.....	235	.....
Stamped and coated products.....	7,736	8,010
Tools.....	8,046	86,027
Vehicles.....	57,954	201,736
Other iron and steel products.....	129,238	111,980
Total iron and steel products.....	\$ 911,892	\$ 1,088,419
Aluminum and products.....	4,589	54,725
Brass and products.....	46,912	177,910
Copper and products.....	6,088	712,401
Lead and products.....	3,457	.....
Nickel and products.....	6,172	341,699
Precious metal and products.....	5,170	386,757
Tin and products.....	7,441	178,921
Zinc and products.....	4,368	.....
Other nonferrous metal products.....	.....	.....

Item	Imports	Exports
Clocks and watches.	3,954	1,234
Electrical apparatus, n. o. p.	92,966	123,254
Other nonferrous metal products.	48,044	56,998
Total nonferrous metal products.	\$ 229,161	\$ 2,033,899
Asbestos.	4,256	27,641
Clay and products.	101,605	21,077
Coal and products.	653,055	658,111
Glass and products.	72,750	9,103
Graphite and products.	1,391	43
Petroleum and products.	2,194,671	683,880
Stone and products.	32,135	355,954
Other non-metallic mineral products.	99,756	60,174
Total non-metallic mineral products.	\$ 3,159,619	\$ 1,815,983
Acids.	2,894	8,864
Alcohol, industrial.		562
Cellulose products.	644	
Drugs and medicinal preparations.	70,765	140,501
Dyeing and tanning materials.	10,096	
Explosives.	687	5,990
Fertilizers.	283,007	23,322
Paints and varnishes.	29,567	68,323
Perfumery and cosmetics and soap.	3,932	139,149
Inorganic chemicals, n. o. p.	304,576	141,462
Other drugs, dyes and chemicals.	22,158	45,206
Total chemicals.	\$ 728,326	\$ 573,379
Amusement and sporting goods.	32,117	13,807
Brushes.	1,395	27,285
Containers, n. o. p.	143,140	107,508
Household and personal equipment.	42,464	62,934
Mineral waters.	769	1,165
Musical instruments.	4,195	7,880
Scientific and educational equipment.	55,950	393,218
Ships and vessels.	20,296	263,890
Vehicles, n. o. p.	2,621	5,336
Other miscellaneous commodities.	885,803	94,729
Total miscellaneous commodities.	\$ 1,188,750	\$ 977,752
Total, Nova Scotia.	\$11,776,386	\$36,743,440

NUMBER 6.

INTER-PROVINCIAL TRADE
IN
AGRICULTURAL AND LIVESTOCK PRODUCTS.
1932.

Product	Imports of Nova Scotia From Other Provinces of Canada.			Exports from Nova Scotia to Other Pro- vinces of Canada.		
	Tons	Quantity Lbs.	Value	Tons	Quantity Lbs.	Value
Wheat.	1240	313	\$ 37,204.70	....	1184	\$ 17.76
Corn.	8061	420	241,836.30	....	518	7.28
Oats.	10232	1970	306,989.55	....	....	....
Barley.	932	1040	27,975.60	....	312	4.68
Other Grains.	2830	1470	84,922.50	....	....	....
Flour.	69494	292	3,474,707.30	108	850	5,241.25
Other Grain Products.	50291	690	1,508,740.35	905	860	27,162.90
Hay and Straw.	7384	1720	88,618.32	95	500	1,143.00
Apples, Fresh.	219	1060	19,757.70	2439	1845	48,798.45
“ Evaporated.	2	570	375.60	509	1255	81,540.40
Other Fruits Fresh.	2663	520	213,060.80	291	1325	22,533.00
*Potatoes.	17781	345	444,529.32	35	100	876.25
Other Veggies. Fresh.	2724	385	81,725.78	480	5	14,400.08
Other Agri. Prods.	2213	1398	110,684.95	163	1820	8,195.50
Horses.	973	280	121,625.00	137	1500	17,250.00
Cattle.	241	500	19,300.00	413	1100	33,084.00
Sheep.	27	....	4,320.00	130	1600	20,928.00
Hogs.	104	1639	25,156.68	38	160	6,092.80
Dressed Meats, Fresh.	10590	436	2,118,043.60	17	390	3,439.00
“ “ Cured.	2221	482	710,797.12	2	390	702.40
“ “ Salted.	935	1730	233,966.25	5	....	1,250.00
Other Packing House Products.	5305	1864	1,273,423.68	100	1620	24,195.40
Poultry.	417	77	166,815.40	29	670	11,734.00
**Eggs.	1107	1475	288,011.75	24	1130	6,386.90
***Butter.	1765	1195	882,798.75	139	360	69,590.00
Cheese.	491	230	147,334.50	14	....	4,500.00
Wool.	473	205	141,930.75	160	1177	48,176.55
Hides.	134	1808	13,490.40	333	421	33,321.05
Total.			12,787,142.65			490,570.65

*A substantial quantity of potatoes is rebilled and shipped to the West Indies, etc.
The above figures does not include P. E. I. schooner-shipped potatoes, etc.

**In addition, a percentage, about 20%, of “Other Packing House Products” comprises eggs.

***In addition, a percentage, about 10%, of “Other Packing House Products” comprises butter.

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